

BRIEFING NOTE FOR INFORMATION

DATE: May 28, 2024

PREPARED FOR: Honourable Bruce Ralston, Minister of Forests

ISSUE: Confidential marketing of fibre review: Purchase of Skeena tenures by Kitsumkalum.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values. A FDZ is defined to be concentrated if the HHI is greater than 1800.
- Skeena Sawmills Ltd. went into receivership and the successful bidder for the tenures and other assets was the Kitsumkalum First Nation. To complete the transaction, it is necessary for the receiver to receive the Minister's approval after consideration of the marketing of fibre and the public interest.
- The three tenures held by Skeena Sawmills are shown in the table below and have an aggregate current AAC of 166,596 m³ in the Skeena FDZ which has a market concentration index of 882 which is below the threshold set in the regulation. The pre- and post-transaction changes in HHI are provided in the attached table of HHI measures file.

Tenure	AAC (m ³ /year)	Timber Supply Area
TFL41	128,000	
FL A16885	26,112	Kalum
FL A16882	162,484	Nass
Total	166,596	

- The tenures Kitsumkalum currently holds are:

Tenure	AAC (m ³ /year)	Timber Supply Area
FL A90734	14,554	Kalum
W1855	840	

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- s. 21

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the Minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of the fibre supply agreement and its influence on fibre availability in the market. The transaction does not involve a fibre supply agreement as the purchase occurs out of a bankruptcy.

The loss of an operating sawmill in the Skeena FDZ will have an impact on the market for logs. Not only will the purchased Skeena Sawmills tenures seek an alternate market (either through export to international markets or seeking to supply another sawmill) but so will the log suppliers that previously sold to Skeena Sawmills.

SUMMARY:

The purchase of the tenure will increase the HHI by a small amount and is not detrimental to the concentration of tenure in the Skeena FDZ. There will be an increase in availability of logs in the market if the sawmill does not restart in the future. The likely outcome is an increase in log exports from the Skeena FDZ if harvest is to occur.

Attachment(s):

1. Table of HHI Measures.pdf
s. 21

PREPARED BY:

Tim Bogle
Director
Compensation and Business Analysis
(250-974-2489)

REVIEWED BY:

	Initials	Date
DM		
DM, LNRO		
Associate DM		
ADM	MS	May 30, 2024
ED	PJ	May 28, 2024
Program Dir./Manger	TB	May 27, 2024

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BRIEFING NOTE FOR INFORMATION

DATE: April 22, 2024

PREPARED FOR: Honourable Bruce Ralston, Minister of Forests

ISSUE: Confidential review: Subdivision and Transfer of A15384 from Canadian Forest Products Ltd. to Sekani Forest Products LP and Tsay Keh Dene Timber LP.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values. A FDZ is defined to be concentrated if the HHI is greater than 1800.
- On December 29, 2023, Canadian Forest Products (Canfor) submitted a revised tenure transfer application (RAIT) for subdivision of replaceable forest licence A15384 in the Mackenzie Timber Supply Area and associated road permits to Sekani Forest Products of McLeod Lake Indian Band (MLIB) and Tsay Key Dene Timber of Tsay Key Dene Nation (TKD).
- A15384 has a current AAC of 1,082,904 m³, Canfor has requested a subdivision of A15384 to each First Nation's company such that each receives 536,452 m³ of AAC. Post-transaction Canfor will retain 10,000 m³. The RAIT used a distribution of volume approximately 20 per cent lower in anticipation of an expected ministerial apportionment decision resulting from the reduction in AAC from 4.5 million m³/year to 2.39 million m³/year made by the Chief Forester in May 2023.

Tenure	AAC (m ³ /year)	Intended Recipient
A15384	536,452	Sekani Forest Products (MLIB)
	536,452	Tsay Key Dene Timber (TKD)
	10,000	Canfor (retained)
Total	1,082,904	

- A15384 is within the Omineca FDZ (OFDZ). Currently, the OFDZ has a market concentration index of 1582, which is below the threshold set in the regulation.

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- As both companies are controlled by their respective First Nation, for the purposes of the HHI calculation, they are treated as entities of each respective First Nation.
- Both First Nations have a shared interest in Three Feathers Partnership and McLeod Lake Community Partnership. For the purposes of the HHI calculations, all licenses associated with these entities are treated as equal ownership between MLIB and TKD.
- The transfer of A15384 contains replaceable contracts with contract loggers controlled by the First Nations, namely Duz Cho Logging LP (MLIB) and Chu Cho Industries (TKD).
- Duz Cho Logging between 2020-2022 completed a couple right of way harvesting operations for BCTS through forest license to cut licenses (TA1249, TA1473). Harvest from the licenses went to sawmills in the OFDZ, Carrier Lumber and Sigurdson Forest Products. Over the last ten years, Duz Cho has transferred harvest from its licenses to several sawmill operators in the OFDZ, such as Canfor, Carrier, Conifex, Dunkley, and Sigurdson.
- MLIB and TKD are not subject to any pre-transfer reforestation or silviculture obligations associated with A15384.
- There are no fibre supply agreements to be included as part of the nature of the agreement of the transfer of A15384 to MLIB and TKD.
- Post-transfer, TKD is looking at entering into a fibre supply agreement with sawmill operators Dunkley Lumber or Conifex, with volumes to be agreed upon.

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the Minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of the fibre supply agreement and its influence on fibre availability in the market. The transaction does not involve a fibre supply agreement between the parties.

The OFDZ is not currently concentrated, with a pre-transaction HHI of 1582. As Canfor is the largest tenure holder in the OFDZ, upon completion of this transaction the HHI for the OFDZ will decline to 1189 (-393 pts). Canfor will remain the largest tenure holder with an HHI share of 576.6 (-440.6 pts), while the proposed license holders will have minor HHI increases (less than 20 pts each) as seen in the Table of HHI measures attached.

SUMMARY:

The change in control will reduce the concentration of tenure in the OFDZ, introducing an improvement to the marketing of fibre in Omineca.

Attachment(s):

1. Table of HHI Measures.pdf

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PREPARED BY:

Lane Weir
Economist
Compensation and Business Analysis
(250-475-7409)

REVIEWED BY:

	Initials	Date
DM		
DM, LNRO		
Associate DM		
ADM		
ED	PJ	April 22, 2024
Program Dir./Manger	TB	March 8, 2024

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BRIEFING NOTE FOR INFORMATION

DATE: April 17, 2024
PREPARED FOR: Honourable Bruce Ralston, Minister of Forests
ISSUE: Meeting with the Pulp and Paper Coalition, Joe Nemeth, Chair of the Coalition

BACKGROUND:

- BC pulp mills are seeing signs of improvement in the China market, as prices increased to US\$787 per tonne for NBSK which is profitable.
- Mill residual supply is declining and negatively impacting pulp mills' ability to obtain furnish as sawmills are closing and taking production off due to weak lumber markets.
- The 2024 estimated residual fibre shortfall for the pulp sector is 4.5 million cubic metres of economic fibre.
- The pulp sector processes over 40% of the BC timber harvest. The sector consumes twenty million cubic metres of woodchips per year, 75% of which come from sawmills.
- BC pulp and paper, tissue and containerboard mills provide 4,561 direct jobs.
- Demand for paper continues to fall except for higher-value specialty paper.
- The pulp line at Prince George Pulp & Paper closed and the Crofton paper machines were curtailed indefinitely in 2023.
- The Pulp Fibre Supply Task Force, comprised of senior ministry and pulp sector staff, achieved its target of three million cubic metres in accessing cost-effective harvest residual fibre and improved utilization of low-value timber including burnt timber in 2023. The target for 2024 is four million cubic metres.
- In a jointly signed forest sector letter at the end of March about FESBC funding, it was requested that consideration be given to increase the funding by another \$25 million per year, with the goal of \$200 million per year over five years.
- The three priority areas for the Pulp & Paper Coalition and COFI are:
 - Stabilize and increase fibre supply by improving permit development processes.
 - Practice more active forest management, such as thinning, brushing and salvage.
 - Improve non-stumpage cost competitiveness and industry supply chain sustainability.

DISCUSSION:

The government has taken several proactive steps to work with the pulp sector to reduce greenhouse gas emissions, introduce innovation and increase utilization of residual fibre:

- Forest Enhancement of BC (FESBC) funding was renewed in 2023 with \$50 million and again with \$60 million in Budget 2024 to utilize uneconomical low-value or residual fibre by secondary users. This was a key recommendation from the Pulp Fibre Supply Task Force. This funding will provide long-term benefits, increasing the volume of fibre going to pulp mills through to the end of fiscal year 2027.

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- The BC government supplied \$180 million in funding for the BC Manufacturing Jobs Fund for forestry companies that require equipment to support new product lines.
- Since 2019, except for Canfor Pulp, five companies have received, in total, \$21.3 million from the CleanBC Industry program to reduce greenhouse gas emissions.
- Wildfire Salvage Opportunity Agreements (WSOA) are being implemented and will help to enable the timely direct award of forestry licenses to First Nations for salvaging timber damaged by wildfire. We have been working actively with First Nations on issuing 13 WSOAs since 2022.
- The Pulp & Paper Coalition members have provided written commitments to the ministry to buy pulp logs at an economic price.
- Pulp companies committed to use five million cubic metres from fire-damaged stands in 2024.
- The ministry developed policies to reduce waste, like the Coast Fibre Recovery Zone that will continue to operate in 2024. There have also been steps taken to increase the utilization of fire-damaged timber, like an alternate method of scale expanded to include burnt wood.
- The longer-term challenge facing both sawmills and pulp mills is the declining AAC across the province, because of pests and fire impacts.

FINANCIAL IMPLICATIONS: N/A

MINISTRY RESPONSE:

- The BC pulp & paper sector is integral to the forest sector supply chain. It provides family supporting jobs in communities across the province.
- Sawmills rely on pulp firms buying wood chips to maintain their operations.
- Increasing fibre utilization is a priority for the BC government.
- I am pleased the Pulp Fibre Supply Task Force continues to collaboratively work to improve access to chips and increase utilization of residual fibre. The Task Force will continue to work with the pulp sector and hopefully achieve its target and reduce the 2024 fibre shortfall.
- This government provided \$110 million of additional funding to FESBC until the end of fiscal year 2027 to support the utilization of residual fibre and burnt timber.
- In addition, we provide funding to UBCM that manages the FireSmart program which is available to all local governments. Reducing wildfire risk is important to this government and we instituted FireSmart and the Crownland Risk Reduction Program which established fuel management planning and treatments.
- Increasing utilization of burnt timber is critical. We agree that by harvesting early, we will be able to improve access to pulp fibre, support the rehabilitation of burnt stands and reduce carbon emissions. I approved the changes in the Interior Appraisal Manual on April 1st to increase flexibility and established pricing policy for forestry operations and First Nations wanting to salvage wildfire-damaged timber.
- Reducing GHG emissions from slash-pile burning is something we take seriously and have instituted a range of actions, for example, pile nicely requirements in BCTS sales.

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- Accessing burnt timber shortly after a fire season will ensure that timber is accessed before wood borers and beetles deteriorate the quality of the timber, improve safety for First Nations elders to harvest berries and tree planters, and reduce the risk of future fires.
- There are no regulatory constraints stopping licensees from undertaking commercial thinning.
- We continue to work at accessing funding for wildfire risk reduction projects and utilization of incremental fibre for secondary users.
- We must utilize what we have in the AAC. We have a declining timber supply and must work together to maximize the utilization of timber, reduce fire risk, and improve the security of communities.

Attachments:



Joint Forest Sector Letter on FESBC Funding, March 31, 2024



Draft BC Forest Industry Transition Platform, March 31, 2024

PREPARED BY:

Steve Laberge
Senior Project Manager – Pulp Sector
Compensation and Business Analysis
(250) 217-4433

REVIEWED BY:

	Initials	Date
DM		
EFO		
ADM	MS	April 16, 2024
Exec Director	PJ	April 12, 2024

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BRIEFING NOTE FOR DECISION

DATE: May 9, 2024

PREPARED FOR: Honourable Bruce Ralston, Minister of Forests

ISSUE: Confidential review: Subdivision and Transfer of A16830 and A16827 from West Fraser Mills Ltd. to Lake Babine First Nation

RECOMMENDED OPTION:

Assign tenure AAC to WF for the purposes of tenure concentration metrics during the transition period determined by the parties to the agreement.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values. A FDZ is defined to be concentrated if the HHI is greater than 1800.
- On April 5, 2024, West Fraser Mills Ltd. (West Fraser) submitted a tenure transfer application (RAIT) for replaceable forest licences A99343 in the Bulkley Timber Supply Area (TSA) (sub-division of A16830) and A99344 in the Morice TSA (sub-division of A16827) and associated road permits to LBN Forestry Ltd., the forestry company owned by Lake Babine First Nation (LBN).

Tenure	AAC (m3/year)
A99343	7,558
A99344	130,969
Total	138,527

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- Both licences operate within the Skeena FDZ (SFDZ). Currently, the SFDZ has the lowest market concentration index in the province at 882, which is well below the threshold set in the regulation.
- There is no long-term fibre supply agreement to be included as part of the nature of the agreement of the transfer of the licences, however the parties are agreeing to as yet undetermined transition period whereby West Fraser will continue to receive the volume from harvest on the licences. This arrangement does not extend to any licences currently operated by LBN.

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the Minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of the fibre supply agreement and its influence on fibre availability in the market. The transaction does involve an undetermined transition period where West Fraser will continue to receive uninterrupted access to fibre from the transferred tenure, constituting a fibre supply agreement between the parties, however fibre currently harvested under existing tenure by LBN transacts continues to be based on market offer principles.

The SFDZ is not currently concentrated, with a pre-transaction HHI of 882. West Fraser is the second largest holder of tenure after Canfor. Upon completion of this transaction, the HHI for the SFDZ would decline to 854 if LBN is assigned the holding of the tenure for the HHI metric, further diversifying tenure holdings and suggesting an increase in market activity. West Fraser would decline by 40 points while LBN would only rise by about 10 points. With these metrics, West Fraser would be able to reacquire additional tenure and not trigger the conditions that would introduce a situation that was detrimental to the marketing of fibre. Due to the transitional arrangement between the parties with respect to fibre supply, it is recommended that during the transition, the tenure continue to be deemed to be held by West Fraser for the consideration of HHI. This issue was specifically brought up with West Fraser representatives for the transaction and they concurred that the deeming would accurately reflect the nature of the fibre market during the time of transition.

FINANCIAL IMPLICATIONS:

- This decision does not require government funding or impact government revenues.

OPTION 1: ^{s. 13, s. 17} ^{s. 13, s. 17}

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OPTION 2: Assign tenure AAC to WF for the purposes of tenure concentration metrics during the transition period determined by the parties to the agreement.

Implications:

- Accurately depicts the fact that no change in the market for logs or the concentration of tenure has occurred in the transition of the tenure due to the current fibre supply arrangement.
- Requires that the parties be made aware of the assignment until such time as the transition period is over and a market-based approach is used.

RECOMMENDATION:

- Option 2.



July 11, 2024

Approved

Signature

Bruce Ralston, Minister, Ministry of Forests

Date

Attachment(s):

1. Table of HHI Measures.pdf

PREPARED BY:

Tim Bogle
Director
Compensation and Business Analysis
(778-974-2489)

REVIEWED BY:

	Initials	Date
DM	MS	May 21, 2024
DM, LNRO		
Associate DM		
ADM	MS	May 21, 2024
ED	PJ	May 9, 2024

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BRIEFING NOTE FOR INFORMATION

DATE: January 24, 2024

PREPARED FOR: Honourable Minister Bruce Ralston, Ministry of Forests

ISSUE: ***Confidential review*** - Transfer of a Non-Replaceable Forest License (NRFL) between affiliates – Metlakatla Forestry Limited Partnership to Metlakatla Forestry Corporation

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values.¹ A FDZ is defined to be concentrated if the HHI is greater than 1800.
- The intended disposition is for NRFL A94733 and the associated Road Permits in the GBR North Timber Supply Area (TSA) within the Skeena FDZ. The licence has an AAC of 31360 cubic metres with an expiry of 2028.
- The recipient, Metlakatla Forestry Corporation, is the General Partner of the current holder Metlakatla Forestry Limited Partnership. The transfer is for corporate restructuring purposes and not an arms-length transaction where concentration of tenure would be impacted or change the representation of the concentration of tenure within the FDZ.

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of fibre

¹ The HHI takes into account the relative size distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

supply agreements and its influence on fibre availability in the market. The transaction does not involve a fibre supply agreement between the parties as the affiliate structure does not change as a result of the transaction.

As this transaction is a corporate restructuring for the holders of the tenure for business purposes, there is no change in the marketing of fibre as there is no change in the concentration of tenure as the transaction is between the Limited Partner and the General Partner.

CONCLUSION:

The intended transfer will not change the concentration of tenure in the province.

PREPARED BY:

Wenqian Sun
Economist
Compensation and
Business Analysis

REVIEWED BY:

	Initials	Date
DM		
Associate DM		
DMO		
ADM		
ED	PJ	Jan 24, 2024
Program Dir/Mgr.	TB	Jan 24, 2024

BRIEFING NOTE FOR INFORMATION

DATE: January 25, 2024

PREPARED FOR: Honourable Minister Bruce Ralston, Ministry of Forests

ISSUE: *Confidential review* – Change in Control of Matchlee General Partner Ltd.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values.¹ A FDZ is defined to be concentrated if the HHI is greater than 1800.
- Current shareholders of Matchlee General Partner Ltd. are four chiefs, Patrick James, Michael Maquinna, Daniel Savey, and Jerome Jack. After the intended transfer the shareholder of Matchlee General Partner Ltd. will be changed to Nis'maas Master GP Ltd. that is controlled by the original four chiefs plus Chief Nathan George. The transfer is for corporate restructuring purposes and not an arms-length transaction where concentration of tenure would be impacted or change the representation of the concentration of tenure within the FDZ.
- Agreements held by Matchlee General Partner Ltd. include Forest Licence A95359, A95360, and A95361 located in TFL 19 Tahsis, and Woodlot Licence W2044 and W2046, within CFDZ.

Tenure	AAC (m3/year)	Tenure	AAC(m3/year)
A95359	57,451	W2044	3,180
A95360	9,893	W2046	3,042
A95361	5,565		
Total	72,909		6,222

DISCUSSION:

¹ The HHI takes into account the relative size distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of fibre supply agreements and its influence on fibre availability in the market. The intended change of control does not impact agreements held by Matchlee.

As this transfer of shareholders is a corporate restructuring for the holders of the tenure for business purposes, there is no change in the marketing of fibre as there is no change in the concentration of tenure.

CONCLUSION:

The intended transfer will not change the concentration of tenure in the province.

PREPARED BY:

Wenqian Sun
Economist
Compensation and
Business Analysis

REVIEWED BY:

	Initials	Date
DM		
Associate DM		
DMO		
ADM		
ED	PJ	Jan 29, 2024
Program Dir/Mgr.	TNB	Jan 29, 2024

BRIEFING NOTE FOR DECISION

DATE: March 13, 2024

PREPARED FOR: Honourable Bruce Ralston, Minister of Forests

ISSUE: Confidential review – Nature of tenure concentration and log market implications of the joint partnership of Western Forest Products and Nanwakolas First Nations

RECOMMENDED OPTION:

s. 13, s. 16

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so that small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions, with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness. The Disposition and Change of Control Regulation measures tenure concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut (AAC) held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values. An FDZ is defined to be concentrated if the HHI is greater than 1800.
- Interfor conducted a review of its Coastal B.C. timber operations and harvesting rights after the sale of its last coastal sawmill, the Acorn specialty mill near Vancouver. The review led to Interfor adopting a strategy to divest its coastal Forest Licenses and Tree Farm License. A number of First Nations have entered into agreements to purchase tenure rights. These transfers will require the Minister's approval.
- BCTS is also investigating the remaining Interfor coastal tenures to see if there are any viable timber opportunities to purchase.
- Interfor's sale of its remaining 1.39 million m3 of AAC will influence market concentration within the CFDZ. The scope of the impact cannot be fully determined at this time. The direction of the impact, to either increase or decrease concentration will be dependent on the nature of any fibre supply agreements or affiliations between the parties involved.

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1 of 3

- The HHI for the Coast FDZ has declined slightly below the threshold of 1800 (currently 1787) in 2023 as result of Interfor successfully transferring several of its coastal tenures to other parties in open market transactions already reviewed by the Minister.
- WFP continues to have the largest share of the Coast FDZ HHI at 1391. See Pre-Transaction - Table of HHI Measures attached.
- WFP has sub-divided TFL39, assigning block 2 to create TFL64 with an AAC of 905,800 m³. A new corporation, La-kwa sa muqw Forestry Ltd., has been created with the following ownership structure:
 - WFP (66%)
 - K'ómoks First Nation (6.6%)
 - Tlowitsis First Nation (3.7%)
 - We Wai Kai First Nation (12.2%)
 - Wei Wai Kum First Nation (11.5%)
- The majority of timber harvested from TFL64 will continue to be sold directly to WFP through a fibre supply arrangement.
- The four partnering First Nations currently hold harvesting rights of 81,789 m³ per year based on the submission by the parties and each is operated as a separate entity marketing logs to the highest value. The Minister did approve a transfer yet to be consummated between Interfor and Cape Mudge Forestry Ltd. (We Wai Kai First Nation) of 165,392 m³ of AAC.
- The log sales and purchase program of WFP was not reviewed as the transaction does not affect the current log use mix from TFL64.

DISCUSSION:

TFL64 is WFP's second largest joint partnership with First Nations holding interests in the area of the TFL, the first in TFL44 with the Huu-ay-aht First Nation. In the marketing of fibre review completed in 2020, the AAC was deemed to continue to be assigned to WFP and the parties were notified of this decision. In reviewing the creation of the TFL64 partnership, while the ownership of the tenure has diversified and logging earnings distributed to new partners, there is no functional change in the fibre available in the marketplace due to the fibre supply arrangement.

A key assumption in the HHI calculation for the marketing of fibre is that the business arrangements and timber sales will continue as before the transaction. If the partners were to entertain fibre supply arrangements with WFP of their pre-transaction or any future tenures and these tenures were assigned to WFP, the HHI would rise above the threshold of 1800 to 1825 or greater and reduce the volume available in the log market. Discussions with WFP and a representative of the First Nations assure staff that TFL64 will be operated independently from any existing or future tenures held by the First Nations and WFP will not have any required fibre supply commitments on the other tenures. In fact, the parties have agreed that in years 3 and 4 of the partnership, log sales of a certain quantum will be made available on the open market to test the partnership's log value assumptions used in earnings distribution. Should this quantum rise to a significant amount and remain an annual provision to the log market, WFP may request that this knowledge be factored into the tenure concentration in any future transactions.

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FINANCIAL IMPLICATIONS:

- This decision does not require government funding or impact government revenues.

OPTIONS:**OPTION 1:**

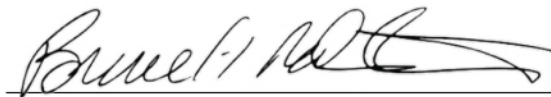
s. 13, s. 17

OPTION 2: Assign tenure AAC to WFP for the purposes of tenure concentration metrics*Implications:*

- Accurately depicts the fact that no change in the market for logs or the concentration of tenure has occurred with the new partnership.
- Requires that the parties be made aware of the assignment.

RECOMMENDATION:

Option 2.

☒ Approved☐ Not Approved

Signature

Bruce Ralston, Minister, Ministry of Forests

June 4, 2024

Date

Attachment: Table of HHI Measures

PREPARED BY:

Tim Bogle
Director
Compensation & Business Analysis
Branch
(778) 974-2489

REVIEWED BY:

	Initials	Date
DM		
Associate DM		
ADM	MS	
Executive Dir	PJ	March 14, 2024

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
WESTERN FOREST PRODUCTS INC.	0	1391	0	0	0	14.6	0
HHI	2305	1787	1575	2728	1571	882	1109

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
WESTERN FOREST PRODUCTS INC.	0	1391	0	0	0	14.6	0
HHI	2305	1787	1575	2728	1571	882	1109

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson-Okanagan	Cariboo Omineca Skeena Thompson-Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-03-13

Prepared by: Compensation & Business Analysis Branch

BRIEFING NOTE FOR INFORMATION

DATE: January 18, 2023
PREPARED FOR: Honourable Bruce Ralston, Minister of Forests
ISSUE: Amalgamation of Domtar Inc. with affiliate Skookumchuck Pulp Inc.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills without tenure can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness. The HHI is one of the metrics in the Disposition and Change of Control Regulation, with the other being the tenure to purchase wood ratio used by processing facility(s), if the facility processes more than 150,000 cubic metres per year.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ which is the amalgamation of the West Coast and South Coast.
- To measure market concentration in a FDZ an HHI is calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values.¹ A FDZ is defined to be concentrated if the HHI is greater than 1800.
- Paper Excellence, the parent company of the two parties to this amalgamation, is the largest pulp producer in BC with operations across the province. Previously, Paper Excellence, on January 11th, 2023, amalgamated Mackenzie Pulp Mill Corporation with Skookumchuck Pulp Inc. (CLIFF 275011) The current amalgamation includes the transfer of Non-Replaceable Forest Licence (NRFL) A93965 from Mackenzie Pulp Mill Corporation which has not been updated within government databases/systems.
- The NRFL A93965 has an AAC of 100,000 cubic metres in the Mackenzie Timber Supply Area and Omineca FDZ with an expiry of 2027.
- The current amalgamation of Domtar Inc. and Skookumchuck Pulp Inc. is for corporate restructuring purposes and is not an arms-length transaction where concentration of tenure would be impacted or change the representation of the concentration of tenure within the FDZ.

¹ The HHI takes into account the relative size distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the Minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of the fibre supply agreement and its influence on fibre availability in the market. The transaction does not involve a fibre supply agreement between the parties as the affiliate structure does not change as a result of the transaction.

As this transaction is a corporate restructuring between affiliates for business purposes, there is no change in the marketing of fibre due to the concentration of tenure.

SUMMARY:

The completed amalgamation does not alter the concentration of tenure in the province.

PREPARED BY:

Lane Weir
Economist
Compensation and Business Analysis
(250-475-7409)

REVIEWED BY:

	Initials	Date
DM		
DM, LNRO		
Associate DM		
ADM	MS	
ED	PJ	Jan 18, 2023
Program Dir./Manger	TB	Jan 18, 2023

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BRIEFING NOTE FOR INFORMATION

DATE: March 19, 2024

PREPARED FOR: Honourable Minister Bruce Ralston, Ministry of Forests

ISSUE: ***Confidential review*** - Disposition of A16841 within the Great Bear Rainforest North Timber Supply Area from Interfor Corporation to Metlakatla Forestry Corporation, held by Metlakatla First Nation.

BACKGROUND:

- Maintaining competitive markets for logs across the province is critical to support innovation in the milling sector, promote movement of logs so small to medium size sawmills can maintain and grow their operations, support a diverse market logging sector, and promote active bidding for BC Timber Sales auctions across the province.
- Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and is used by the US Department of Justice to assess market competitiveness.
- The Provincial Forest is divided into 7 Fibre Distribution Zones (FDZ) that largely align with the natural resource regions with the exception of the Coast FDZ (CFDZ) which is the amalgamation of the West Coast and South Coast.
- The Disposition and Change of Control Regulation measures tenure market concentration in the log market in a FDZ using an HHI calculated by summing the squared share of Allowable Annual Cut held by each tenured firm within a FDZ and multiplying that number by 10,000 to scale the values.¹ A FDZ is defined to be concentrated if the HHI is greater than 1800.
- Interfor conducted a review of its Coastal BC timber operations and harvesting rights after the sale of its last Coastal sawmill, the Acorn specialty mill near Vancouver. The review led to a strategy for disposition of licenses to First Nations, or First Nation owned companies and value-added companies based in BC. The current dispositions are restricted to the Great Bear Rainforest North (GBR N) Timber Supply Area (TSA) within the Skeena FDZ (SFDZ):

Tenure	AAC (m3/year)	Intended Recipient
A16841	24,488	Metlakatla Forestry Corporation (Metlakatla FN)

- A16841 is in the SFDZ which currently has a market concentration Index of 882 – significantly below the threshold set in the regulation.
- Metlakatla Forestry Corporation is the forestry arm of Metlakatla FN. The FN currently holds 56,360 m3 of AAC between NRFL A94773 (31,360 m3) and FN woodlands licence N3B (25,000 m3).

¹ The HHI takes into account the relative size distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

- A pulp log agreement with Catalyst Paper (Paper Excellence) will be inherited with the transfer of A16841. Metlakatla First Nation is looking at renegotiating the terms with Paper Excellence to ensure economic viability of fibre provision from the agreement for the First Nation.

DISCUSSION:

A key element in the implications of a tenure transaction to the marketing of fibre is the potential influence of post-transaction fibre supply agreements. These may require the minister to consider assigning the rights to a single holder for the purposes of calculating the HHI due to the nature of fibre supply agreements and its influence on fibre availability in the market. The intended recipient will inherit a pulp log agreement with Catalyst Paper.

The SFDZ is not currently concentrated, with a pre-transaction HHI of 882. Interfor has minor holdings in the SFDZ, upon completion of this transaction the HHI will remain unchanged at 882. Interfor's HHI share will marginally reduce to 1.7 (-0.9 pts), while Metlakatla First Nation will have a marginal increase to 0.5 (+0.3 pts) as seen in the Table of HHI measures attached.

CONCLUSION:

The change in control will have a negligible effect on the concentration of tenure in the SFDZ. There will be no substantive change in the marketing of fibre in the SFDZ.

Attachment(s):

1. Table of HHI Measures.pdf

PREPARED BY:

Lane Weir
Economist
Compensation and
Business Analysis
(250-387-8819)

REVIEWED BY:

	Initials	Date
DM		
Associate DM		
DMO		
ADM	M. Sanderson	
ED	P. Jacobsen	March 19, 2024

BRIEFING NOTE FOR DECISION

DATE: March 21, 2024

PREPARED FOR: Honourable Bruce Ralston, Minister of Forests

ISSUE: Seek Approval for Developing and Funding of Legal Costs Required to Create a Trust Deed to Establish the Fire Smart Equipment Trust.

RECOMMENDED OPTION:

s. 13, s. 14, s. 17

BACKGROUND:

- Climate data shows that climate change has supported higher atmospheric temperatures, altered precipitation patterns, increased the dryness of the landscape, and has changed wind and lightning patterns. The effect of these changes has increased the risk of wildfires and created longer and more active fire seasons.
- Five of the largest annual fire suppression costs occurred in the past 7 years.
- The recent pattern of warmer and drier conditions is not expected to change in the near term, exposing communities to greater risk of destructive fire events and loss of valuable timber resources.
- To improve fibre access and reduce fire risk Ministry of Forests is supporting expansion of the use of Commercial Thinning and Partial Cutting practices. These “lighter touch” harvesting approaches can provide fibre while at the same time reduce fire risk by removing smaller understorey timber.

DISCUSSION:

Rationale for the Trust:

- There are a range of existing programs designed to fund community “firesmart” activities, however these programs are not eligible to support logging contractors purchase of equipment needed to undertake the treatments efficiently and effectively. Speed of harvesting and effective removal of understory materials without damaging larger more fire-resistant timber is critical.
- Increasing access to equipment designed to remove smaller understory timber without damaging the adjacent larger timber will facilitate multiple pass harvesting approaches, rather than the current single pass clearcut harvest. Multi pass harvesting in certain terrain can improve evapotranspiration of the stand and reduce potential slides and flooding.
- The timber removed would be available to be sold to pulp mills to reduce the costs to government of the understory removals and will provide needed fibre to offset the reduced volume of mill residuals.

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2 of 2

Objective of the Trust:

- Support logging contractors purchase of specialized equipment needed to undertake, on an industrial scale, removal of understory small diameter timber and brush that can increase risk of fire laddering. The removal of this material is key to fire smarting communities and reducing fire risk in key forest resources in BC.

Terms of the Trust:

- The Trust will provide 10% of the cost up to a maximum of \$100,000 to support the purchase of specialized logging equipment required to efficiently remove understory laddering materials and thinning prescriptions in key forest resources.
- The Trust will only consider funding purchase of approved specialized harvesting equipment designed to cut and remove smaller diameter timber and brush. The Trust will not fund the purchase of feller bunchers, grapple skidders equipment currently used in harvesting of commercial timber.

Creation of the Trust:

- s. 14

Establishment of the Trust- Timing:

- Following the approval and sourcing of funds for s. 14, the establishment of the new Trust will be undertaken and s. 14 s. 14. The process of establishing the Trust based on previous experience can be successfully completed within 3 to 4 weeks once s. 14 is retained.

Initial Funding Source:

- The Coast Logging Equipment Support Trust (CLEST) was established in 2020 and its mandate has been fulfilled. The Trust can no longer distribute funds due to the strict eligibility criteria of the Trust. Preliminary discussions have been held with Eric Van Soreen, the Trustee of the CLEST, to explore if the goals and mandate of the new Trust would qualify for his consideration of endowing the new Trust the CLEST funds.

Utilization of Residual Fibre:

- The fibre removed in the treatment process will be available for sale to pulp and pellet mills along with chipping operations for agricultural and horse bedding etc. A bid-selection model similar to that used in Forest for Tomorrow (FFT) will be employed for the selection of logging contractors. The FFT selection model also establishes stumpage to be paid for the harvested fibre and is determined by Timber Pricing Branch.
- As AAC's continue to decline sawmill residual fibre (i.e. chips and hog fuel) a key source of input fibre for BC's pulp mills will decline. The chipping of the understory materials will provide an additional source of chips that will help offset the reducing of sawmill residuals.

FINANCIAL IMPLICATIONS:

- Funds for the endowment of the new Trust will be sourced from the CLEST, an existing Trust that has completed its mandate.

OPTIONS:

OPTION 1: s. 13, s. 14, s. 17

Option 2: s. 13, s. 14, s. 17

RECOMMENDATION:
s. 13, s. 14, s. 17

☒ Approved / Not Approved



Signature
Hon. Bruce Ralston, Minister of Forests

April 24, 2024

Date

PREPARED BY:

Peter Jacobsen
Executive Director
Compensation Business
Analysis Branch
(250) 415-6638

REVIEWED BY:

	Initials	Date
DM	RM	2024-04-12
Associate DM		
ADM	MS	2024-04-11

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
LAKE BABINE NATION FORESTRY LTD.	0	0	0	0	0	5.8	0
WEST FRASER MILLS LTD.	1532.5	0	0	66.1	6.8	156.1	45.6
HHI	2305	1727	1569	2728	1571	882	1100

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
LAKE BABINE NATION FORESTRY LTD.	0	0	0	0	0	16.9	0
WEST FRASER MILLS LTD.	1532.5	0	0	66.1	6.8	116.1	45.6
HHI	2305	1727	1569	2728	1571	854	1100

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson- Okanagan	Cariboo Omineca Skeena Thompson- Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-04-25

Prepared by: Compensation & Business Analysis Branch

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
KITSUMKALUM FIRST NATION	0	0	0	0	0	0.04	0
SKEENA SAWMILLS LTD.	0	0	0	0	0	15.42	0
HHI	2305	1727	1569	2728	1571	882	1100

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
KITSUMKALUM FIRST NATION	0	0	0	0	0	16.96	0
HHI	2305	1727	1569	2728	1571	884	1100

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson- Okanagan	Cariboo Omineca Skeena Thompson- Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-05-16

Prepared by: Compensation & Business Analysis Branch

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
WESTERN FOREST PRODUCTS INC.	0	1391	0	0	0	14.6	0
HHI	2305	1787	1575	2728	1571	882	1109

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
WESTERN FOREST PRODUCTS INC.	0	1391	0	0	0	14.6	0
HHI	2305	1787	1575	2728	1571	882	1109

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson-Okanagan	Cariboo Omineca Skeena Thompson-Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-03-13

Prepared by: Compensation & Business Analysis Branch

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
INTERFOR CORPORATION	0	69.9	477.7	0	0	2.6	78.4
METLAKATLA FIRST NATION	0	0	0	0	0	0.2	0
HHI	2305	1787	1569	2728	1571	882	1109

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
INTERFOR CORPORATION	0	69.9	477.7	0	0	1.7	78.4
METLAKATLA FIRST NATION	0	0	0	0	0	0.5	0
HHI	2305	1787	1569	2728	1571	882	1109

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson-Okanagan	Cariboo Omineca Skeena Thompson-Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-03-19

Prepared by: Compensation & Business Analysis Branch

Table 1: **PRE -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
CANADIAN FOREST PRODUCTS LTD.	0	0	463.6	1518.1	1017.2	174.1	0
MCLEOD LAKE INDIAN BAND	0	0	0	0	1.9	0	0
TSAY KEH DENE NATION	0	0	0	0	0.5	0	0
HHI	2305	1791	1575	2728	1582	911	1109

Table 2: **POST -TRANSACTION**

Licence	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
CANADIAN FOREST PRODUCTS LTD.	0	0	463.6	1518.1	576.6	174.1	0
MCLEOD LAKE INDIAN BAND	0	0	0	0	20	0	0
TSAY KEH DENE NATION	0	0	0	0	16.8	0	0
HHI	2305	1791	1575	2728	1189	911	1109

Table 3: **ADJACENT FDZ**

FDZ	Cariboo	Coast	Kootenay_Boundary	Northeast	Omineca	Skeena	Thompson_Okanagan
Adjacent To	Coast Omineca Thompson-Okanagan	Cariboo Omineca Skeena Thompson-Okanagan	Omineca Thompson-Okanagan	Omineca Skeena	Adjacent to all FDZ's	Coast Omineca Northeast	Cariboo Coast Kootenay-Boundary Omineca

Table of HHI Measures

Assessment Date: 2024-03-07

Prepared by: Compensation & Business Analysis Branch

BC Forest Industry Transition Platform

DRAFT

March 31, 2024



BC Pulp & Paper Coalition

What is an Industry Transition Platform?

A set of **proposed priorities and actions**

- for increased **coordination and communication** across the BC forest sector
- on what can be done by industry, government and others
- to **stabilize and increase fibre supply** and address current sectoral **transition risks and challenges**

Strategy & Process

Transition Strategies and Measures

- 1) Build alignment across industry and government on **3 top priorities** for action
- 2) Collectively **track and review** related developments and outcomes on a regular basis
 - Monthly with core group from industry and MOF

3 Priority Areas for Transition Strategies/ Measures

While new and longer-term policy processes are being implemented

1 Stabilize and increase fibre supply by improving permit development processes to ensure that an environmentally sustainable and economically viable harvest can be consistently achieved



2 Practice more active forest management – such as thinning, brushing, and salvage – to achieve wildfire resiliency, biodiversity conservation, and improved utilization



3 Improve non-stumpage cost competitiveness and industry supply chain sustainability



1. Achieve sustainable harvest levels



Priority

Stop the current contraction in fibre supply and secure more predictable access to available timber by proposing solutions to current challenges in permit development processes for sustainable harvesting.



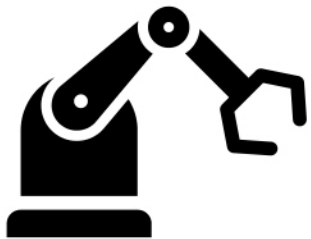
2. Practice more active forest management



Priority

Establish new targets and financing strategies to expand the role that active forest management can play -- through silviculture, salvage (from fire and pest-damaged stands), and improved utilization of residual fibre -- in wildfire resilience, community safety, biodiversity conservation, GHG emissions reduction, and providing additional fibre for product and market diversification

3. Improve competitiveness and supply chain sustainability



Priority

BC is the highest cost jurisdiction in North America. Identify and pursue non-stumpage cost centres with opportunities to improve BC competitiveness through the use of new technologies.

Develop strategies to maintain critical supply chain and infrastructure capacity.

TRACK & MEASURE: Approach, Outcomes, Current Status

Achieve Sustainable Harvest Levels	More Active Forest Management	Improve Non-Stumpage Cost Competitiveness & Supply Chain Sustainability
BCTS	Thinning, Brushing, Silviculture	Technology Roadmap
Permit Development <i>* Draft WWH Report</i>	Wildfire Resilience	Sustainable Contractor Base
AAC Underperformance	Waste Utilization	Carbon Monetization

March 31, 2024

Hon. Bruce Ralston
Minister of Forests
FOR.Minister@gov.bc.ca

Re: Forest Enhancement Society BC (FESBC) Funding Extension

Dear Minister Ralston,

We are writing to thank you for your continued support of the Forest Enhancement Society of BC (FESBC) program. The decision in BC Budget 2024-25 to extend FESBC funding for another three years, at \$20M/year, ensures that the government will continue to successfully meet its goal of improving utilization of low value fibre while reducing greenhouse gas emissions from harvest waste and wildfires.

In calendar 2023, FESBC removed an estimated 150,000 truckloads of wood waste and biomass from the forest floor that provided an additional 3.1 million cubic metres of fibre for use in the manufacturing of renewable forest products. This was accomplished solely through utilization initiatives such as salvaging logging waste piles and extracting wood from fire and insect damaged stands. Not a single green tree was cut.

Another important byproduct of all this activity was that during a period of increased uncertainty regarding access to fibre supply from sawmills, it also enabled 13 pulp and paper mills in the province to run at full capacity in 2023, maintaining thousands of family supporting jobs in regional communities across BC. This is in comparison to three permanent pulp mill shuts in 2022.

The ability of pulp mills in BC to utilize waste fibre is central to the government's short- and long-term objectives in several key areas. These include diversification and growth of the forest sector through production of more bio-based materials and value-added products; implementation of the CleanBC roadmap for net-zero emissions; and the reduction of wildfire risk and protection of forest health and communities.

Going forward the increased incidence of wildfires in BC means that a vast amount of salvage timber will need to be managed not only for fibre utilization, but also for a range of other values such as wildlife habitat, ecosystem restoration, community safety from reburn. This will not be possible if one part of the utilization equation – pulp mills – are not able to secure a sufficient level of supply to maintain operation.

As you know, sawmills in BC are curtailing or closing due to lack of access to economically available log supply. Given the high degree of interconnectivity in the BC forest industry, the reduction in sawmill manufacturing means that the province's pulp mills are also facing increasing fibre supply challenges. The most recent forecast is that the province's pulp and paper sector will require 4 million m³ of incremental fibre in 2024 to maintain operations.

Under these circumstances, we ask that consideration be given to further expanding the FESBC program by increasing current funding to \$25 million per year in the near term to scale up utilization and wildfire safeguarding activities.

We also recommend consideration of ultimately expanding the scope of the FESBC Program to \$1 Billion over 5 years. This would be consistent with current strategies in the Western States and California and provide the strategic level of funding to transition to a more active forest management regime in BC that would meet the following objectives:

- improve wildfire resiliency through activities such as brushing and thinning in proximity to small, rural communities;
- support the move to value added products; and
- improve overall forest health, including biodiversity, through practices such as thinning, pruning and fertilization that are commonly practiced in Scandinavia and other forest industry jurisdictions.

It is also worth noting that this level of investment in salvage, thinning, and other management prescriptions would allow the ramp up of contractor equipment fleets and workforce skills tailored for this type of work – therefore making both more cost effective.

While we recognize and appreciate constraints on the role of government funding in initiating a program of this size and importance, we also believe there will be future opportunities to align it with market drivers that would reduce the level of financial participation by government.

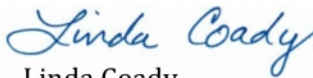
As wildfires and other climate impacts do not respect borders – and as the demand for more renewable products and bioenergy increases – there will be significant opportunities to partner with groups in the US Pacific Northwest on the development of new business models to support increased investment in forest health and resilience.

We look forward to the opportunity to meet face to face to discuss the future of the FESBC program further and will reach out to schedule a meeting as soon as practical.

Yours truly,



Joe Nemeth
General Manager
BC Pulp & Paper Coalition
(PPC)



Linda Coady
President & CEO
BC Council of Forest
Industries (COFI)



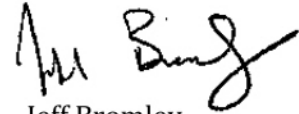
Bob Brash
President
Truck Loggers
Association (TLA)



Ken Kalesnikoff
Chair
Interior Lumber
Manufacturers' Association
(ILMA)



Todd Chamberlain
General Manager
Interior Logging Association
(ILA)



Jeff Bromley
Wood Council Chair
United Steelworkers
(USW)



Kelly Johnson
President
Public and Private Workers
of Canada (PPWC)

C: Hon Andrew Mercier, Minister of State for Sustainable Forestry Innovation
Rick Manwaring, Deputy Minister, BC Ministry of Forests (MOF)
Mike Hykaway, Acting Associate Deputy Minister, BC MOF
Shane Berg, Chief Forester and Assistant Deputy Minister, BC MOF
Melissa Sanderson, Assistant Deputy Minister, BC MOF
Ian McMahon, Chief of Staff, BC Minister of Forests
Dario Garousian, Ministerial Advisor, BC Minister of State for Sustainable Forestry Innovation