Working to Make Ontario’s Forest Sector Stronger: A Provincial Strategy

ONTARIO FOREST INDUSTRIES ASSOCIATION
Growing a Stronger, Greener Ontario

2018 Pre-Budget Submission
The Ontario Forest Industries Association (OFIA) is a provincial trade association and is the home of CLA Grading and Inspection. For over 70 years, OFIA has represented forestry companies ranging from multinational corporations, to family-owned businesses that operate across Ontario. OFIA’s member companies produce a full spectrum of advanced manufactured forest products. These range from:

• Dimensional lumber
• Pulp and paper and paper packaging
• Engineered wood products (OSB, hardwood plywood, trusses)
• Research and development in innovative products (engineered soils, organic mulch)
• Green energy production (biofuels, biomass electricity production, pellets)

The OFIA’s member companies are committed to the three pillars of sustainability – environmental protection, social development and economic development. Through world class forest management practices, Ontario’s forestry community is undoubtedly a climate change champion, putting wood to work responsibly by supporting large, healthy, diverse and productive forests that generate a range of sustainable benefits today and for future generations.
Ontario’s forest products sector:

✓ Provides well-paying jobs for 172,000 people in every region of the province

✓ Generates $15.5 billion of economic activity

✓ Exports have increased from ~$4 billion in 2011 to almost $5 billion in 2013. In 2015, manufactured forest product sales increased more than $1 billion dollars over the year before, and our exports of forest products have increased each year since 2012 – with the total value of our wood product exports more than $6 billion in 2015

Source: Ministry of Natural Resources and Forestry, 2017

“I really believe that forestry is part of our past but it’s also part of our future.”
– Premier Wynne, August 2016
FIVE KEY BUDGET RECOMMENDATIONS

1. Develop a Provincial Strategy that Makes Ontario’s Forest Sector Stronger
   1.1 Establish a mandate with priority objectives that aim to increase and embrace the sustainable use and harvest levels of our Crown forests
   1.2 Develop policy that supports current operations and provides consistent, reliable and affordable access to wood fibre
   1.3 Make certain that policy supports full-time employment in a renewable sector and does not create precarious employment
   1.4 Ensure socio-economic impact analysis is used to develop responsible, evidence-based policy and is shared with affected stakeholders
   1.5 Recognize that the continued sustainable harvesting of Ontario’s forests provides a positive contribution to Ontario’s climate change strategy and economy

2. Restore and Maintain Competitive Restoration Measures
   2.1 Forest Roads Funding Program: return funding to $75 million and continue to provide guaranteed base funding to all forest areas (SFLs)
   2.2 Poplar and White Birch Crown Stumpage: adjust the ‘fixed’ portion of crown dues to ensure that the rate is at least average when compared to other Canadian jurisdictions

3. Demonstrate Equivalency between the Crown Forest Sustainability Act (CFSA) and Endangered Species Act (ESA)
   3.1 Change the timelines to evaluate the impacts of climate change, the cumulative effects of all activity on a broad, dynamic landscape and a better appreciation of the socio-economic implications of provincial species at risk policy:
      a) Extend the current Section 55 Rules in Regulation for another 5 years;
      b) Extend MNRF’s internal deadlines on the Species at Risk (SAR) Guide
   3.2 Prior to the posting of any SAR Guide, socio-economic impact analyses must be completed and shared
   3.3 Deliver on the commitment to include all affected stakeholders in the development of SAR prescriptions and CFSA-ESA equivalency
   3.4 Develop reasonable and workable SAR prescriptions with the forest sector and appropriate phase-in provisions

Continued…
4. Address Market Development Challenges and Enhance Promotion of Forest Products
   4.1 Continue to defend Ontario’s world-class forest management practices to global customers through active public engagement and balanced policy
   4.2 Embolden the Ontario market for wood products by supporting the Ontario Wood initiative and the Ontario WoodWorks! Program
   4.3 Support the primary forest industry to ensure that the secondary industry can thrive (ex. bio-refineries)

5. Create Competitive Energy Use Measures that will Support Forestry’s Role in Mitigating Climate Change
   5.1 Disclose economic impacts of Ontario’s cap and trade program on electricity pricing and maintain full emission allocations for Energy-Intensive, Trade-Exposed facilities
   5.2 Ensure that the Northern Industrial Electricity Rate (NIER) program remains permanent and is adequately funded
   5.3 Extend the Industrial Conservation Initiative (ICI) to all manufacturers, regardless of size
   5.4 Direct the Independent Electricity Operator (IESO) to work with OFIA to identify and develop further opportunities for energy conservation and cogeneration
   5.5 Provide effective incentive programs that promote the re-investment of energy efficient manufacturing to support the development of next generation forestry products, chemicals and low carbon manufacturing technologies
Why is Ontario’s Renewable Wood Supply Shrinking?

Theoretical MNRF Harvest Volume

Based on inventory and yield data amalgamated across the province, the Ministry stated that for 2015, the annual allowable harvest volume was 28 million m³. This is a theoretical number and does not reflect several factors that result in useable volumes to a mill. The wood supply funnel illustrates what constraints and barriers there are to utilizing these theoretical volumes.

Policy and Utilization Barriers

These barriers limit the ability to access actual forest volumes. Examples include: New species at risk listings, observations and prescriptions, unsuitable timber species and quality for the existing mills, lack of roads infrastructure, warmer and more unpredictable winter preventing freeze-up, acts of civil disobedience, and incidental observations.

Usable Volume

After adjustments have been made, the realized volume is roughly equal to the current actual harvest level of 15 million m³ on managed Crown forests.

Newly Adopted Policy Filter

Northern SFL analysis shows an additional reduction of up to 28% due to approved 2014-2015 MNRF policies.

Use of a renewable wood supply creates jobs and economic development.
1. DEVELOP A PROVINCIAL STRATEGY THAT MAKES ONTARIO’S FOREST SECTOR STRONGER

1.1 Establish a mandate with priority objectives that aim to increase and embrace the sustainable use and harvest levels of our Crown forests

1.2 Develop policy that supports current operations and provides consistent, reliable and affordable access to wood fibre

1.3 Make certain that policy supports full-time employment in a renewable sector and does not create precarious employment

1.4 Ensure socio-economic impact analysis is used to develop responsible, evidence-based policy and is shared with affected stakeholders

1.5 Recognize that the continued sustainable harvesting of Ontario’s forests provides a positive contribution to Ontario’s climate change strategy and economy

Businesses run and prosper on certainty, yet for Ontario’s forest products community, consistent access to affordable wood in Ontario continues to be uncertain. The sustainable use of a secure and affordable supply of renewable wood fibre results in well-paying jobs and a wide range of economic benefits.

We are asking government to establish a mandate to increase the sustainable use, acceptability and competitiveness of our Crown forests. Finland, for example, recognizes the growing value in its forests and has developed a National Forest Strategy 2025 that directs the uses of Finnish forests until 2050, describing priority objectives that are “aimed to achieve even better conditions for increasing the welfare to be derived from forest-based business and activities and to ensure economic, social and ecological sustainability.” It is this type of vision, supporting the three pillars of sustainability, that will build Ontario up and make our province a world leader in forestry. In Ontario, there is no strategy to grow our renewable resource - this represents a missed opportunity.

Ontario harvests so little – less than 0.5% - of its Crown Forests, yet the benefits are so great with 57,000 people directly employed – and we can do more! To put this in perspective, Ontario is three times larger than Finland and harvests approximately 15 million cubic metres yet, Ontario still harvests 80% less than Finland.

Ontario’s natural capability for growing its innovative, renewable forest products sector is remarkable. In the words of Premier Wynne, “These are the kinds of ideas that we need right now – bold, unafraid and unabashedly confident in the people of our province. We are acting on these ideas because doing these things will make a meaningful difference in people’s lives and in our shared success (May 2017).”
ONTARIO IS 3x LARGER THAN FINLAND…

…yet Ontario harvested only 14 million m³ compared to Finland’s 65 million m³…

... and Finland’s government has approved a strategy to increase forest growth and sustainable harvesting to 80 million m³ by 2025!

“Our concern is that we need to be able to show a predictable future for the forest industry. That’s the big issue.”

- Premier Wynne, August 2017
Setting Targets: Growing Ontario’s Forest Sector

Ontario’s Forests Can Sustainably Support Increased Harvest Levels

OFIA is asking government to collaboratively develop a Provincial forest strategy that would reverse the continual decline in usable volume resulting from political decisions.

Our forests can support growth, sequester carbon through long-term wood products, and we want to see our northern and rural communities thrive.

OFIA is proposing Ontario set a target harvest level of 30 million m$^3$ by 2030.
ONTARIO’S PROPOSED 2030 TARGET
Ontario’s Forests Can Sustainably Support Increased Harvest Levels

Total Amount of Ontario’s Trees
7 Billion Cubic Metres

Growing Annually By:
41 Million Cubic Metres within the AOU

Annual Harvest Volume
15 Million Cubic Metres

Proposed Ontario 2030 Target
30 Million Cubic Metres
2. RESTORE AND MAINTAIN COMPETITIVE RESTORATION MEASURES

2.1 *Forest Roads Funding Program*: return funding to $75 million and continue to provide guaranteed base funding to all forest areas (SFLs)

2.2 *Poplar & White Birch Crown Stumpage*: adjust the ‘fixed’ portion of crown dues to ensure that the rate is at least average when compared to other Canadian jurisdictions

In today’s global marketplace, it is critical that Ontario continually review the competitive measures to ensure they are indeed competitive. Primary and secondary roads are strategically important to natural resource development and if you limit northern and rural primary and secondary road infrastructure, you limit the economic development of communities and resource sectors.

With the recovery of Ontario’s forestry sector, harvest levels in Ontario have been steadily increasing over the last several years. This has resulted in a greater demand for public access road funding to facilitate this increase. By restoring the Forest Roads Funding Program to $75 million, many previously inactive or low activity SFLs, including new Shareholder SFLs and First Nations SFLs, will be able to mobilize on their road infrastructure again, allowing them to return to full productivity and contribute to the economic rebound in their communities and in the forest sector as a whole.

Adjusting the poplar and white birch fixed portion of the crown dues will ensure that the rate is at least average when compared to other Canadian jurisdictions. This is to support the full utilization of Ontario’s operable land base and further promote a competitive integrated Ontario forest products sector. In this competitive global market, being average or uncompetitive is not good enough.

When our member companies reviewed Ontario’s hardwood [aspen, white birch, and poplar] stumpage rates to produce Orientated Strand Board (OSB) against other jurisdictions in Canada, they identified that Ontario’s was the highest in Canada. Ontario’s residual value portion of the crown dues was the least competitive in Canada, with residual beginning at the lowest threshold price (price at which the “super tax” is applied) and with the steepest rate of increase. This represents a significant competitive disadvantage.

“The forest sector is vital to Ontario’s social, economic and environmental well-being. These investments will help propel the province’s forest sector forward, improving competitiveness while providing well-paying jobs for Ontarians.”

- Hon. Kathryn McGarry, Minister of Natural Resources and Forestry
3. DEMONSTRATE EQUIVALENCY BETWEEN THE CROWN FOREST SUSTAINABILITY ACT (CFSA) AND THE ENDANGERED SPECIES ACT (ESA)

3.1 Change the timelines to evaluate the impacts of climate change, the cumulative effects of all activity on a broad, dynamic landscape and a better appreciation of the socio-economic implications of provincial species at risk policy:
   a) Extend the current Section 55 Rules in Regulation for another 5 years;
   b) Extend MNRF’s internal deadlines on the Species at Risk (SAR) Guide
3.2 Prior to the posting of any SAR Guide, socio-economic impact analyses must be completed and shared
3.3 Deliver on the commitment to include all affected stakeholders in the development of SAR prescriptions and CFSA-ESA equivalency
3.4 Develop reasonable and workable SAR prescriptions with the forest sector and appropriate phase-in provisions

Under the CFSA, the long-term health and vigour of Crown forests are provided for by using forest practices that, within the limits of silvicultural requirements, emulate natural disturbances and landscape patterns while minimizing adverse effects on plant life, animal life and a wide range of socio-economic values. OFIA believes that recognition of the CFSA as an equivalent process to the Endangered Species Act (ESA), coupled with reasonable and workable prescriptions, is the most comprehensive solution for the health of Ontario’s forests and the protection of species at risk and their habitat.

Forestry employs 57,000 people directly and to support these jobs, wood needs to flow off the land base for 12 months of the year. Forest and mill workers are largely absent from these discussions; however, they are the ones with the most at stake during this process. A one-pillar approach to policy will not help us reach the ultimate goal of forest sustainability.

While we appreciate the announcement made at the AMO 2017 Conference by Minister McGarry, MNRF, to postpone the posting of the SAR Guide, the sector remains concerned that flawed, one-pillar ESA policy continues to be developed in silos with a process that ignores the negative socio-economic impact to northern and rural communities. This flawed, one-pillar policy will continue to shrink Ontario’s renewable wood supply dramatically, limit green economic opportunities and create uncertainty for the sector and the communities in which we operate. A socio-economic impact analysis plays an essential role in evidence-based policy decisions and is a legally mandated environmental assessment requirement for forest management guide development.

While we remain committed to working collaboratively with the MNRF on this initiative, time is of the essence and to date, we have seen little incorporation of our professional advice or action on our concerns. Workable phase-in provisions are needed to avoid delays, amendments, and contingency planning.

“Since its inception, the ESA has had a number of profound and damaging economic effects on the County of Renfrew. Despite its good intentions, the ESA has and will continue to have detrimental effects on rural economies and the very species it was intended to protect.”
- Renfrew County Report: Impacts of the Endangered Species Act
CURRENT IMPACT OF A SINGLE SPECIES AT RISK ON MANAGED FORESTS

This map shows an area subject to restrictions based on just one species at risk.

- Forest operations cannot take place within purple areas from May 1st to July 15th and the month of September
- Many roads cannot be constructed until after Oct 15th
- No road maintenance from June 1st to September 30th
- Similar type of hauling restrictions

*Forestry should be a full-time, year-round activity. However, current policy has turned this sector into a seasonal activity and has reduced full-time employment to part-time employment. Proposed changes will only add additional restrictions.*
Black areas with tree symbols are planned harvest areas. Yellow areas are where multiple species at risk rules limit harvest, demonstrating a cumulative impact.

The cumulative impacts of multiple species at risk prescriptions will reduce access, and in some cases restrict access to wood supply completely.

Adding more burden to an already complex and restrictive process is not sustainable in the long term – from a social, environmental or economic perspective.

“[The ESA regulations] are a very tangled issue, difficult to sort out. We clearly haven’t got this right. No one is on side with what we are doing. We need to step back, get everyone to the table and work out a solution that meets environmental regulations while keeping the industry alive.” - Premier Wynne, 2017
PROPOSED CHANGES TO POLICY WILL ADD RESTRICTIONS AND REDUCE EMPLOYMENT

The proposed species at risk guide contains rules that will only add to the problem of cumulative impacts. *Mills will close, jobs will be lost.*

The red areas on this map indicate forbidden access zones where forest management will not be allowed. This is based on proposed rules for forestry within woodland caribou ranges and will essentially shut down operations on this forest.

**OFIA has constructive solutions for managing all species, including species at risk. Promoting a landscape approach, we can actually create more habitat into the future while balancing social, economic, and environmental values. This is what makes the Crown Forest Sustainability Act (CFSA) a landmark piece of legislation.**
As citizens, we own Ontario's Crown forests and as owners shouldn’t we be interested in the **return on investment from the responsible use of our Crown forests?** By sustainably using less than 0.5 percent of our Crown forests annually, our sector generated a domestic impact of $15.5 billion, total wages and salaries of 2 billion dollars and 6 billion dollars in domestic exports and supports over 172,000 families across the province (Natural Resources Canada, Ontario 2013-2015, MNRF). That is a very awesome return on a renewable crop. With today's advanced manufacturing and innovative technologies further propelling the growth of forestry, more value is derived from every tree that is harvested. There is no waste in Ontario’s forest management practices.

We are grateful for the efforts made by the MNRF to standup for forestry by promoting and defending Ontario’s sustainably sourced forest products to global customers with the Ontario Wood initiative. As Minister McGarry noted at the 2016 WoodWORKS! Awards Evening Gala, “Consumers today have so many choices when it comes to selecting building materials, furniture, finishing pieces or other wood products…At the same time, it is important to think about the local communities that this industry supports…We continue to promote Ontario Wood to consumers, reminding people that our wood products come from sustainably managed forests. For every tree that is cut, another three are planted. By re-enforcing this – we can ensure people in Ontario increasingly buy locally sourced wood.”

OFIA is proud of our members’ commitment to sustainable forest management. The forestry community is constantly adapting and innovating, finding new, sustainable and green ways of using wood products. Together, supporting the full potential of today’s renewable forest sector, we can grow Ontario’s natural advantage to create a prosperous, sustainable, low carbon economy for future generations.

“I remain optimistic about the future of the sector, and I will continue to work with industry and communities for the long-term success of forestry in Ontario.” – Hon. Kathryn McGarry, Minister of Natural Resources and Forestry, 2017
5. CREATE COMPETITIVE ENERGY USE MEASURES THAT WILL SUPPORT FORESTRY’S ROLE IN MITIGATING CLIMATE CHANGE

5.1 Disclose economic impacts of Ontario’s cap and trade program on electricity pricing and maintain full emission allocations for Energy-Intensive, Trade-Exposed facilities

5.2 Ensure that the Northern Industrial Electricity Rate (NIER) program remains permanent and is adequately funded

5.3 Extend the Industrial Conservation Initiative (ICI) to all manufacturers, regardless of size

5.4 Direct the Independent Electricity Operator (IESO) to work with OFIA to identify and develop further opportunities for energy conservation and cogeneration

5.5 Provide effective incentive programs that promote the re-investment of energy efficient manufacturing to support the development of next generation forestry products, chemicals and low carbon manufacturing technologies

Members of the OFIA are proud of their performance as it relates to reducing the carbon footprint of their product. On a total emissions basis, investments made by Ontario’s forest sector have resulted in a 66% reduction in GHG emissions since 1990. This is significantly above the provincial targets of 15%. Compared to other energy intensive manufacturing sectors, the forest product’s sector is a leader in low carbon manufacturing. We have facilities currently generating electricity and process heat using in excess of 85% renewable energy, which includes biomass and landfill bio-gas. In fact, a recent third party study showed Ontario and Canada’s pulp and paper sector to be a global leader in low carbon manufacturing.

For companies that operate facilities globally, there are a number of cost factors that go into a decision to continue to operate or build facilities in certain jurisdictions. When compared to the national and international jurisdictions that the Ontario forest products sector is competing with for market share, the costs of wood fibre, labour, transportation and energy are all unfavorable creating significant competitiveness challenges for these facilities that continue to operate in Ontario.

Through the implementation of phase 1 of the cap and trade program, OFIA has concerns with the Province’s approach to dealing with the cost of carbon and electricity pricing and the assessment of carbon leakage risk. With our sector being energy intense, the increased costs associated with electricity appear to be significant and will greatly impact our competitiveness in the global markets. Ontario’s Cap and Trade program must recognize that our pulp and paper sector is a trade exposed industry and that the forest products community as a whole, is highly integrated and dependent on each facet of the sector succeeding. It should also recognize and reward companies that have made the necessary investments to improve energy efficiency, reduce their carbon footprint and continue to provide jobs in the province.

“There can be no solution to climate change that does not include Canada’s forests and forest sector.”
FORESTRY MATTERS:
What Affected Stakeholders Are Saying

“...We are now growing more and more concerned that even with the suspension of the policy, plans are in the works that will negatively impact the forest industry and those who rely on a robust sector to provide for their families.”
- Wendy Landry, NOMA President and Mayor of Shuniah

“The recent investments our community has made in the forest sector has created significant opportunities and hundreds of new jobs for First Nations communities. Our forest operations generate wealth for our community that offsets the costs for social and economic development so our community can be self-sustainable.”
- Chief Edward Wawia, Red Rock Indian Band

“Decisions on policy needs to be informed by the people who are most impacted...This is our backyard and we deserve to have a say in the policy that governs it.”
- Al Spacek, President of FONOM, Mayor of Kapuskasing

“The recent resurgence of the forest sector has created hundreds of new jobs for my members. These policy proposals threaten to derail this recovery.”
- Guy Bourgoin, President of United Steelworkers

“Sustainable forest management and using wood products is one of the best ways to remove carbon from the atmosphere and mitigate climate change. Not only that, but the social and economic value of using wood is critical for our economic success, especially for our northern communities.”
- Gord Cumming, Chief Forester, Algonquin Forestry Authority

“[Forestry] is a significant way of life, and a renewable resource capable of regeneration, which in turn, sustains long-term economic prosperity and promotes further growth of many First Nations communities.”
- Georjann Morriseau, Director of First Nations Relations & Aboriginal Affairs, Resolute Forest Products
TO LEARN MORE ABOUT FORESTRY’S ROLE IN ONTARIO, CHECK OUT THESE RESOURCES…

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Ministry of Natural Resources and Forestry
[www.ontario.ca/page/ministry-natural-resources-and-forestry](http://www.ontario.ca/page/ministry-natural-resources-and-forestry)

Ontario WoodWORKS!
[www.wood-works.ca/ontario](http://www.wood-works.ca/ontario)

Ontario Wood
[www.ontario.ca/page/ontario-wood](http://www.ontario.ca/page/ontario-wood)

The Forest Products Association of Canada
[www.fpac.ca](http://www.fpac.ca)

It Takes a Forest
[www.ittakesaforest.ca](http://www.ittakesaforest.ca)

The Two Sides Initiative
[www.twosides.info](http://www.twosides.info)