

Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

By FPInnovations

Recommendations

- **A federal budget investment of \$30 million per year** will unlock a potential \$100 billion opportunity of clean and low-carbon technologies, accelerating the transformation of the Canadian forest industry and strengthening its global competitiveness while supporting jobs in rural and indigenous communities. Passed federal investments in FPInnovations have generated a 1 to 4 market impact. In addition, the leverage effect is 1 to 2 in terms of additional investments from private sector and provincial governments.
- **Commercialization of new technologies with programs such as Investment in Forest Industry Transformation (IFIT) at \$30 million/year.** IFIT funding has helped deliver 28 projects across Canada and accelerate the development of new forest products.
- **Fund the Expanded Market Opportunities (EMO) program, which promote the use of Canadian wood, pulp and paper, and new emerging products, at \$22 million/year.** These programs increase the sector's presence in the international arena and help develop new markets opening up with free trade agreements like the CPTPP. For example, Canada Wood helped increase Canadian exports to China 10-fold since 2007

Competing and Leading in Natural Resources Improving Forestry Competitiveness Through Innovation, New Products and New Markets

A federal budget investment of \$30 million per year will unlock a potential \$100 billion opportunity of clean and low-carbon technologies, accelerating the transformation of the forest industry and improving its global competitiveness. This investment will enable the forest sector transformation by leveraging recent public and private investments in the Bioeconomy, and by accelerating innovation development and deployment. New opportunities will focus on market pull, value chain, and in-market deployment to optimize market impacts.

They will include:

- **Sustainable construction:** To increase use of wood in structure, building construction materials and appearance by \$900M by 2023
- **Bioplastics:** To develop wood based bioplastics solutions that will represent 5% of the bioplastic used in North America by 2022 for a market value of \$700M
- **Packaging:** To enhance market penetration of North American wood fibre-sourced packaging to achieve a market value of \$600M by 2025
- **Biofuels:** to develop wood fibre-based biofuels solutions that will provide alternative solutions in a \$2,5B Canadian bioenergy market which includes RNG (Renewable Natural Gas)
- **Forestry 4.0:** To integrate big data and high tech into Canadian forest operations such artificial intelligence and connected objects to create a safer and more productive environment along the full value chain. By 2025 it will generate savings and value added close to \$1 billion per year.
- **Advanced manufacturing:** To improve efficiency of manufacturing processes that will increase fibre recovery by 30%, reduce co products production by 20% and diversify products and co-products in non-traditional and new markets by 2023

- **New biomaterials and biocomposites:** Made from wood fibre for use in everyday products from cars to electronics.

Building on Success

Previous Federal Government investments pioneered a world-leading forestry innovation ecosystem. Today, FPInnovations is recognized worldwide as a unique industry/government partnership model that serves as the innovation catalyst for Canada's forest sector. Working in close co-operation with its 180 member companies, FPInnovations enjoys the strong support from the Forest Products Association of Canada and provincial and federal governments as it innovates to achieve the vision of the Canadian Council of Forest Ministers' Forest Bioeconomy Framework. It is also aligned with the May 2018 recommendations of the Federal Standing Committee on Natural Resources report entitled *Value-Added Products in Canada's Forest Sector: Cultivating Innovation for a Competitive Bioeconomy*

With more than 400 specialized staff working across the country, FPInnovations has developed innovative approaches to maximize economic impacts and deliver and deploy world-class forest sector innovations. By focusing on strategic partnerships with industry, academia, and other innovation providers, FPInnovations has diversified, transformed, and improved forest sector competitiveness while protecting and creating middle-class rural and urban jobs including in Indigenous communities. FPInnovations is also committed to accelerating the development and deployment of innovations in the forest sector through co-creation, open innovation and enhanced partnerships along the value chain.

As a true public/private partnership (50/50 funding) that has resulted in **Federal Government funding leveraged 2:1 with industry and provincial financing**, Canadians have benefitted from the development of new technologies and the

launch of new products and manufacturing plants. Examples of commercial successes based on this approach are numerous.

A Federal Investment with a Significant Market Impact Over the Last 10 Years

\$25 Million Annual Average Investments = \$100 Million per year in New Markets

- Cross-laminated timber adopted in the North American market
Market value = \$80 million per year
- First commercial cellulose nanocrystals (CNC) plant in Québec
Market value = \$8 million per year
- First commercial lignin process in Alberta
Market value = \$7.5 million per year
- First commercial cellulose filaments (CF) plant in Québec
Market value = \$5 million per year
- First TMP-Bio pilot plant in Ontario
Estimated Potential Market value = \$19M per year

The Future is a Circular Economy: The Forest Sector is a Key to that Future
From past success to future innovation, the forest sector remains Canada's leader in achieving climate change objectives while creating a healthy robust economy. FPInnovations is committed to providing its support and know-how to strengthen the forest sector competitiveness and accelerate the development of this sustainable and circular economy in Canada.

For More information, please contact:

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