



FOREST PRODUCTS ASSOCIATION OF CANADA

Canada's Forest Sector Seeks Federal Partnership to Enhance Canadian Competitiveness, Accelerate Innovation and Ensure a Healthy Forest of the Future

RECOMMENDATIONS FOR 2019 FEDERAL BUDGET

AUGUST 2018



Recommendations

- **Recommendation 1:** That the government provide funds to support research and development, commercialization of new technologies, and market access for our traditional and new emerging products to enable growth of investment in Canada.
- **Recommendation 2:** That the government address the competitive position of Canada's forest products sector by providing sound investment conditions, ensuring products can get to markets, and implementing a more agile regulatory system.
- **Recommendation 3:** That the government collaborate with provincial governments, Indigenous communities, other rights holders and stakeholders to develop an action plan to ensure healthy and resilient forests support the workers and their communities.



Canadian forest products best in the world

Canadian forest products are recognized as some of the best in the world, not only in quality but also in sustainability.¹ Forest Products Association of Canada (FPAC) provides a voice for Canada's wood, pulp, and paper producers nationally and internationally in government, trade, and environmental affairs. The \$69-billion-a-year forest products industry contributes \$21.7 billion to Canada's GDP and is one of Canada's largest employers operating in over 600 communities and providing 230,000 direct jobs across the country.

The forest products industry is facing several challenges including, but not limited to, trade disputes; carbon measures; regulatory unpredictability; wood supply uncertainty; and lack of reliable infrastructure to support a resilient transportation system. Maintaining our industry's strong Canadian brand in the world is essential to continue our contribution to economic growth for Canadian workers, businesses and communities. More critically, federal financing programs and policies must remain predictable and stable for transformative projects to be successful and to contribute to Canada's carbon reduction targets, transition to a low carbon economy, contribute to Indigenous and rural economies that depend on the sector, and increase investment to compete effectively in the global marketplace.

Resources of the future

The forest products sector is part of the Government of Canada's Resources of the Future Economic Strategy Table, which has identified the following five priority themes to ensure future investments in Canada's resource industries:²

- 1) Regulatory certainty
- 2) Innovation for competitiveness
- 3) Access to markets
- 4) Engagement with Indigenous peoples and communities
- 5) Attracting and re-skilling talent

FPAC works closely with federal and provincial governments to ensure this critical industry is recognized for its innovation, environmental leadership, and social responsibility. A 2018 report by the Standing Committee on Natural Resources identified that *"forest product innovations have led to improved industrial competitiveness and environmental performance in a wide range of industries, from natural resources, agriculture and manufacturing, to chemistry, cosmetics and healthcare."*³

¹ Leger Study (2017)

² Resources of the Future Economic Strategy Table (2018) <https://www.ic.gc.ca/eic/site/098.nsf/eng/00019.html>

³ Value-Added Products in Canada's Forest Sector: Cultivating Innovation for a Competitive Bioeconomy. May 2018. <http://www.ourcommons.ca/DocumentViewer/en/42-1/RNNR/report-9/>



This committee provided four key recommendations:

- 1) Protecting Canada's forests and primary resources
- 2) Advancing industrial integration, innovation and talent development
- 3) Strengthening partnerships with Indigenous governments and communities
- 4) Maximizing market opportunities in Canada and abroad

Furthermore, in 2017, the Canadian Council of Forest Ministers (CCFM) released a bioeconomy framework with the objective of Canada becoming a global leader in the use of forest biomass for advanced bioproducts and innovative solutions.⁴ The framework follows four pillars:

- 1) Communities and Relationships
- 2) Supply of Forest Resources and Advanced Bioproducts
- 3) Demand for Advanced Forest Bioproducts and Services
- 4) Support for Innovation

Canada's forests power over 600 communities and 230,000 jobs, and provide Canadians with everyday products such as paper, paper towels and packaging from a renewable resource. Ensuring healthy and resilient forests, engaging with Indigenous peoples, and helping Canada tackle climate change is critical to our sector's future contribution to the economy. Canada leads the world in third-party sustainable forest certification, 11% of the world's forests, and 38% of these certified lands are in Canada. The forest industry contracts and works with over 1,400 Indigenous businesses and employs 12,500 Indigenous workers, which makes it one of the largest employers of Indigenous peoples in the country.

The changing climate will affect Canada's forests in a range of complex ways. Catastrophic wildland fires are of concern because they pose direct threats to communities and human well-being. Changes in tree growth and patterns of disturbance will affect the amount and quality of wood, as well as hindering the success of species at risk recovery, management of carbon stocks, and protection of ecologically important sites (e.g. wetlands).

The increasing interest in bioenergy and bioproducts represents a major economic opportunity and more demand for a finite wood supply. Serving such demand while maintaining the long-term health of ecosystems will incentivize the development of methods to grow forests faster, harvest them more efficiently and improve systems to transport, process, and store it.

⁴ Canadian Council of Forest Ministers Release Forest Bioeconomy Framework for Canada. September 14, 2017. <http://www.scics.ca/en/product-produit/backgrounder-canadian-council-of-forest-ministers-release-comprehensive-approach-for-advancing-canadas-forest-bioeconomy/>



The following recommendations support the initiatives laid out above and are an investment in Canada's future prosperity and important family-supporting jobs, particularly in rural and northern Canada.

FPAC Recommendations

Recommendation 1

That the government provide funds to support research and development, commercialization of new technologies, and market access for our traditional and new emerging products⁵ to enable growth of investment in Canada.

FPAC recommends the federal government continue to invest in the following:

1. **Research and Development**, with programs such as FPInnovations, at \$30 million/year. These programs provide resources that help the industry innovate and improve areas of the sector's value chain.⁶ For every dollar invested in FPInnovations, it generates four dollars in new markets.
2. **Adoption of First Commercial Technologies to Accelerate New Product Diversification** with programs such as Investment in Forest Industry Transformation (IFIT) at \$30 million/year. IFIT funding has helped deliver 28 projects across Canada. For example, Louisiana-Pacific converted one of its mills to produce sustainable wood panel siding, and West Fraser developed the world's first commercial process to extract lignin, which is used in industrial applications.⁷ These programs help accelerate the development of new forest products, including those that could replace the use of plastic across Canada.
3. **Market Access** through long-term programs such as Expanded Market Opportunities (EMO), which promote the use of Canadian wood, pulp and paper and new emerging products, at \$22.5 million/year⁸. These programs increase the sector's presence in the Canadian and international arenas and help develop new markets under free trade agreements. For example, Canada Wood helped increase Canadian exports to China 10-fold since 2007; and since its inception in 1998, the Canadian Wood Council's Wood *WORKS!* program has increased wood product sales in Canada by \$1.04 billion by influencing more than 1,760 construction projects to use wood in innovative ways and creating new market opportunities in the mid-rise sector.

⁵ Engineered wood products, biofuels and wood fiber for car parts.

⁶ FPInnovations – Our Work, July 11, 2018. <https://fpinnovations.ca/about-us/Pages/our-work.aspx>

⁷ Lignin extracted can be used in a variety of products (commercial glues for plywood and advanced bioproducts).

⁸ \$18 Million/year for Canada Wood
 \$2.5 Million/year for the Canadian Wood Council
 \$2 Million/year for special programs



4. **Supporting Indigenous peoples** with programs such as the Indigenous Forestry Initiative at \$5 million/year. Since 2017, the funding has aimed to increase Indigenous participation in forestry-related opportunities, businesses, careers and governance.⁹

These programs will ensure the forest products sector grows and continues to lead in Canada and internationally. FPAC believes that it is important for Natural Resources Canada continue to manage these programs to support consistency and build on the positive developments that we have started together.

Recommendation 2

That the government address the competitive position of Canada’s forest products sector by providing sound investment conditions, ensuring products can get to markets, and implementing a more agile regulatory system.

The uncertainty and challenges related to our sector’s ability to compete are wide-ranging. To ensure that the forest products industry grows, FPAC recommends:

1. Establishing an industry-government working group on regulatory competitiveness to address cumulative regulatory burden and access to wood fiber;
2. Alleviating infrastructure bottlenecks and addressing increasingly frequent transportation service interruptions, by allocating capacity to NRCan to support the collection, analysis and distribution of data provided by railways through the implementation of the *Transportation Modernization Act*;
3. Addressing the overall tax burden, including investment depreciation treatments;
4. Ensuring that during the renegotiation of NAFTA, that enhanced trade facilitation and trade remedies are key objectives;
5. Ratifying the Comprehensive and Progressive Trans-Pacific Partnership trade agreement, ensuring further access to the Asian market for the industry;
6. Guaranteeing greater market access for the Canadian forest products, through the broad network of Canada’s trade offices and promoting “Brand Canada” around the world.

Recommendation 3

That the government collaborate with provincial governments, Indigenous communities, other rights holders and stakeholders to develop an action plan to ensure healthy and resilient forests support the workers and their communities.

Our changing climate has a major impact on Canada’s forests. Recent studies show that Canada could experience major wood supply shortages and/or increased wood supply costs due to

⁹ Indigenous Forestry Initiative, July 11, 2018. <https://www.nrcan.gc.ca/forests/federal-programs/13125>



climate change.¹⁰ A changing climate has implications on our ability to maintain historic species composition in our future forests as well as the workers that depend on them for the livelihood. The species of trees we regenerate today may not be well adapted to the conditions they will face when reaching maturity in 60 to 80 years. This is a sensitive challenge for species at risk recovery as habitat conditions will change and shift.

Canada's forest products sector is in a unique position to be part of the solution in supporting species at risk populations. As our foresters and biologists work in Canada's forests, they actively manage forests, harvest and plant trees with local species and ecosystems in mind. The current species-by-species approach to recovery runs the risk of significant repercussions to local communities and the families who rely on jobs and the broader natural resources sector. Long-term, the forest products sector calls on governments to adopt a multi-species, ecosystem-based approach to supporting biodiversity in our forests.

To address the impacts of climate change, species at risk populations and ensure resilient forests for future generations, our approach to forest management needs to evolve and innovate. FPAC is advocating for the establishment of a national dialogue that brings together high-level decision-makers from industry; federal, provincial and municipal governments; Indigenous communities; environmental groups; academia and research organizations. This "Forest Forward" dialogue will develop a national "Call to Action" addressing challenges, opportunities and recommendations for the following: forest ecosystem, forest management and forest operations.

Through innovative practices and active forest management, the forest sector is part of the solution to regenerate important habitats, reduce fire hazard, and increase carbon storage in the forest and in renewable products. In sum, to ensure maintenance of these forest values for the future, it is imperative that we continue to develop a vision and action plan that supports us to address future challenges and seize opportunities.

Conclusion

The forest products sector is a key driver for the Canadian economy, and it is imperative that the government prioritize action to assist in its continuing growth and strength. This means acting to expand Canada's market access across the world.

It is vital that the government partner with the forestry products sector to promote sustainable forest management to address climate change and ensure the sector has continued access to high-quality wood fiber, while upholding our world-leading environmental standards.

¹⁰ McKenny et al. 2016. *Canada's Timber Supply: Current Status and Future Prospects under a Changing Climate*. NRCan, Canadian Forest Service, <http://cfs.nrcan.gc.ca/pubwarehouse/pdfs/37783.pdf>



Of equal importance are government measures to support the transformational investments in innovation and infrastructure to support long-term and global visions of forestry companies.

These actions and our recommendations above will help ensure that businesses in our industry are reaching goals for expansion, innovation and prosperity to better contribute to the success of the over 230,000 workers directly employed in our sector and for Canada's overall economic growth.

