



FOREST PRODUCTS ASSOCIATION OF CANADA

Canada's Forest Products Sector: Helping to Drive Canada's Economic Recovery

RECOMMENDATIONS FOR 2021 FEDERAL BUDGET

AUGUST 2020



List of Recommendations

- **Recommendation 1:** Accelerate implementation of the Canadian Council of Forest Ministers' (CCFM) *Forest Bio-economy Framework* and promote activities and partnerships to achieve our shared innovation vision.
- **Recommendation 2:** Spur economic recovery in Canada's forest-dependent communities through effective partnerships and smart regulations.



Who We Are

Forest Products Association of Canada (FPAC) is the voice of Canadian wood, pulp, paper, and bio-products producers nationally and internationally. Canada's forest products industry generates \$73.6 billion annually and exports over half of that to the world. The industry is one of Canada's largest employers, operating in 600 forest-dependent communities from coast to coast, and directly employing over 230,000 Canadians across the country.

Our sector is one of the largest employers of Indigenous peoples in Canada and works closely with over 1,400 Indigenous-owned forestry businesses. As the third-largest manufacturing industry in the country, Canada's forest products sector is a cornerstone of the Canadian economy and is a solutions provider in our move to a lower carbon economy.

Context

Since COVID-19 began creating massive disruption across our country and economy at the beginning of 2020, Canada's forest products sector has been deemed an essential industry, helping to keep the supply chain moving and our people healthy, safe, and working.

Before the pandemic, the Canadian forest products sector was already facing significant challenges, including price decreases, lower demand and supply chain issues. This crisis has made an already difficult time even more challenging for forest sector workers, communities, and businesses.

Given the magnitude of the challenges before us, our sector partners from east to west have been working together for months to advocate for liquidity supports for Canadian forest companies and workers, accelerate forest sector and bio-economy innovation, promote opportunities to build lower carbon communities with wood, keep Canadians safe from the growing risk of wildland fires, and sustain and grow more family-supporting jobs across the country. These initiatives in collaboration with the Government of Canada remain critically important to us.

We are a truly renewable sector and lead the greenest workforce in Canada. We work jointly with governments and community partners on environment and climate priorities such as our *30 by 30 Climate Change Challenge* – a commitment to reduce carbon by 30 megatonnes of CO₂ per year by 2030 – representing more than 13% of the Canadian government's emissions reduction target. Canada's forest products industry has long been a national leader in reducing its carbon footprint. Canadian pulp and paper mills have cut their greenhouse gas emissions by nearly 70% since 1990.



FPAC is looking for a willing partner to help us accelerate our sector's transformative progress, reduce carbon, and strengthen our ability to be a leading player in Canada's economic recovery. The government's support of the more detailed recommendations contained herein is vital to ensure our sector can remain globally competitive, generate family-supporting jobs, and achieve our shared climate and environment related goals.



FPAC Recommendations:

Recommendation 1: Accelerate implementation of the Canadian Council of Forest Ministers' (CCFM) *Forest Bio-economy Framework* and promote activities and partnerships to achieve our shared innovation vision.

July's *Fiscal Snapshot*, projecting a \$343 billion deficit and referencing a national unemployment rate of nearly 14%, is a call to action for all of us to work together to restore economic growth and to get more Canadians safely back to work.

Canada's forest sector remains committed to working with the federal government to help achieve our shared goals of upholding world-leading sustainable forest management practices, moving to a lower carbon economy, and driving economic opportunity for our country and its people.

We remain steadfast in that commitment and are also actively working to advance important federal government initiatives related to the Clean Fuel Standard and broader GHG reduction targets, embracing bio-diversity conservation, and advancing economic resilience to secure a vibrant forest sector for tomorrow.

Since the publication of the Canadian Council of Forest Ministers' (CCFM) *Forest Bio-economy Framework* in 2018, the sector has responded positively to government policies and programs and has invested more than \$750 million in at least 90 different projects. Unfortunately, pandemic-related disruptions and growing uncertainty for businesses operating on Canada's working land base has forced many companies to stall or rethink these significant and strategic investments.

That said, our sector has 140 shovel-ready projects, worth more than \$1.5 billion, that can help kick start Canada's economic recovery – with many ready to go as early as September 2020. What is needed now are conditions that will allow us to accelerate innovation, improve competitiveness, and further strengthen Canada's environmental performance.

These projects are not only shovel-ready, but shovel-worthy. They would reduce GHG emissions, increase the sustainable utilization of forest fibre—simultaneously reducing forest fire risks— improve air and water quality, and rebuild critical infrastructure while sustaining and creating jobs in rural, northern, and Indigenous communities. These measures would strengthen forest sector competitiveness while maintaining safe operations and continuing our unwavering commitments to human health and the environment.

There is also an additional potential of \$7.5 billion worth of economic activity through the construction of 900 new commercial, residential, and institutional wood buildings in Canada,



including over 30 wood high-rises—showcasing Canadian innovation with the capacity to store more than 1.5 million tonnes of carbon for many decades. In addition to their direct and indirect employment contributions, these investments would increase the amount of green energy the sector produces by 15%.

As we emerge from this pandemic, the CCFM *Forest Bio-economy Framework* represents a way forward for our industry—one that leverages the strength of our workers, communities, and companies to bring exceptional products to the world in a sustainable and innovative fashion. FPAC calls on the Government of Canada to work with us to implement this shared vision.

Recommendation 2: Spur economic recovery in Canada's forest-dependent communities through effective partnerships and smart regulations.

In a 2018 report by the Canadian Chamber of Commerce, it was estimated that in 2015 the average Canadian company must abide by 131,754 federal regulations, many of them repetitive and costly to Canadian competitiveness¹. The COVID-19 pandemic has exacerbated these challenges, adding another layer of complexity for those struggling to keep our industry competitive on a global stage.

As confirmed by Natural Resources Canada's (NRCan) recent *State of Canada's Forests Report*, Canada has among the most rigorous frameworks for forest management in the world which relies on science-based considerations for wildlife and forest ecosystems. 77% of Canada's managed forests are third-party certified – more than three times any other jurisdiction in the world.

The forest industry relies on a sustainable supply of high-quality wood fibre, as well as certainty regarding land base decisions and regulations that enable long-term investment. The fact that 94% of Canada's managed forests are on Crown land means that we are subject – and rightly so – to many stringent regulations and legislative requirements across different levels of government. This reality entails robust provincial legislative and regulatory requirements, intensive evidence-based planning, longer-term planning horizons (+150 years), partnerships with Indigenous communities and Indigenous-owned businesses, and local input and decision-making in each community. This is how Canada has become a sustainable forestry powerhouse, differentiating itself from other large national jurisdictions. With that in mind, the alignment of these operational rules and guidelines would bring much-needed clarity and certainty to our sector, both of which are crucial for economic recovery.

¹ <http://www.chamber.ca/publications/reports/2018-archives/>



Going forward, as we work to lift ourselves out of this economic crisis and become a driver of Canada's economic recovery, it is more important than ever that we are advancing effective partnerships and smart policies and regulations, while avoiding unnecessary duplication of provincial regulations and creating increased costs. Doing so will ensure that we can continue our "Made in Canada" commitments to sustainable and innovative forest management over the long term.

Unfortunately, the forest products industry is currently experiencing a host of regulatory proposals and initiatives (carbon, water quality and management, species at risk and conservation) out of Environment and Climate Change Canada (ECCC) and Fisheries and Oceans Canada (DFO) that are creating unnecessary duplication with provincial forest management and mill operation regulatory regimes, as well as with third-party certification systems (FSC, SFI, and CSA). As a result our priority is encouraging increased collaboration and consultation between stakeholders and governments, with an eye on eliminating duplication, reducing complexity, streamlining policies and regulations and providing clarity and certainty. In our minds this would ensure that our industry can continue to deliver on its commitments to sustainable forest management and world-class mill operations, while doing our part to advance Canada's economic recovery.

FPAC specifically recommends the following:

- *Species at Risk Act (SARA)* - Prioritized approach and ability to streamline and demonstrate SARA equivalency through provincial forestry regulations. Requirement to consult more broadly on section 11/conservation agreements to avoid unintended impacts.
- *Fisheries Act* - Clearer guidance for DFO on when to seek Section 35 authorization. Development of codes of practice for routine low risk activities and advancing a Routine Works Regulation to enable 'one window' approaches with provinces.
- *Migratory Birds Regulations* - Revise the proposed Migratory Birds Regulation to reflect the modernizations of the Act while minimizing the proposed and unnecessary reporting burden on the sector.
- *Canadian Navigable Waters Act* - Development of a 'minor works' order under the new Act to avoid the administrative burden of seeking permits for works that would not impede navigability.
- *Canada's Pathway to Target 1 Conservation targets* - Recognition of a broader suite of contributions, including from the forest sector, using Other Effective area-based Conservation Measures (OECMs) aligned with international definitions and accounting. Stronger commitment to work with provinces and territories on setting post-2020 conservation goals and targets.



- *Clean Fuel Standard* - Carbon credit creation criteria to promote the use of Canada's sustainable biomass. Supports all projects that reduce the carbon emissions from combustion of fossil fuels at lower carbon cost (minimize current proposed restrictions).
- *Carbon Pricing* - Finalize the forest offset protocol. Provide clarity around the Output Based Pricing System (OBPS) and how carbon revenues will be redistributed to companies. Provide clarity on possible duplication of federal and provincial carbon pricing system to Ontario and New Brunswick companies.
- *Pulp and Paper Effluent Regulations* - Continue work on the modernization of the Regulations that recognizes the environmental performance of the sector and the world-leading requirements to perform Environmental Effects Monitoring, and introduce post-COVID-19 flexibility such as virtual audits, less reliance on third-party laboratories and emergency clause in the regulations.

FPAC recommends prioritizing federal legislative, regulatory, and policy changes (to instruments and/or their implementation) that protect the environment and human health, while supporting economic opportunity for our sector and its people. We strongly believe that the path to recovery must include both investment and regulatory support measures in partnership with the federal government.



Conclusion

The COVID-19 pandemic has shifted global systems and priorities in a permanent way, and Canadian governments and businesses have been and will continue to adapt. Since March, Canada's forest products industry has worked diligently to overcome the following unprecedented operational challenges:

1. Ensuring our people's safety;
2. Keeping Canada's critical supply chain moving; and,
3. Providing Canadians with basic necessities.

Led by our HR professionals, the sector came together to develop several measures that allowed us to weather the immediate storm, but more work needs to be done. Notwithstanding our significant collective struggles, our industry remains optimistic about the future.

Canada's working forests provide solutions to fight climate change while bringing family-supporting jobs to Canadians in communities where there are often limited options. To maximize the opportunity, we need an ongoing commitment from governments to build on the momentum of what has been started – to position Canada's forest products sector as a global leader, and enable us to be a driver of economic recovery in Canada's forest-based communities.

If we can unlock the environmental and economic potential of this sector, we can bring more sustainably-sourced Canadian forest products to Canada and the world.

