

**Written Submission for Pre-Budget Consultations in
Advance of the Upcoming Federal Budget**

By: Composite Panel Association

Recommendations:

1. The government encourage investment in the composite wood products manufacturing sector with dedicated measures that directly support sector capital projects and growth.
2. To support our strong Canadian composite wood products industry and ensure a level playing field for Canadian producers, the government commit adequate resources to controlling incoming composite wood products from other jurisdictions that may be unsafe to consumers and non-compliant with forthcoming Canadian regulations concerning formaldehyde emissions.
3. The government ensure a stable supply of wood by-products as a feedstock to produce composite wood products. This includes ensuring that clean energy incentives do not divert feedstock towards conversion to fuels, and encouraging the production of sustainable, long-lived wood products by recognizing product carbon sequestration as a credit mechanism under Canada's low carbon economy programs.

The Composite Panel Association (CPA) is a trade association representing more than 95% of the North American manufacturing capacity of the composite wood industry - particleboard, medium density fiberboard (MDF), and hardboard - as well as many suppliers, distributors and major users of the industry's products. Canadian members operate 10 mills with sales of over C\$1.34 billion and employ over 2,200 mill workers in five provinces with wages of over C\$179 million. These mills are typically located in rural areas where good paying jobs are critical to sustaining the community. Considering indirect and induced effects, the Canadian composite panel industry contributes to 11,500 jobs with wages totaling C\$724 million and represents about C\$3.41 billion in sales.

Our story is one of innovation and environmental sustainability. Composite wood panels were born out of a desire to recycle wood residuals from sawmills and other wood product manufacturing processes into value-added wood panels. This kept wood residuals out of landfills and burning pits and provided for a new manufacturing process that many decades later is a great Canadian success story. We are proud to have composite panel manufacturing sites in British Columbia, Alberta, Ontario, Quebec, and New Brunswick.

The composite wood panels produced by our Canadian mills go on to secondary manufacturing facilities in Canada that make flooring, mouldings and trim, kitchen cabinets, office and home furniture, and a host of other products for residential, commercial, and industrial applications. Canadians from coast to coast to coast use these products on a daily basis in their homes and businesses.

Approximately 75% of our combined manufactured raw panels and finished products are shipped to the United States. This has been a consistent statistic for many years and makes clear how our industry is significantly trade exposed.

The Canadian composite panel industry has faced considerable headwinds over the last number of years, which have placed an unprecedented strain on our ongoing operational success. Differing national regulations create an imbalance that has placed additional burden on our industry as it exports a majority of its product to the U.S. Ongoing trade disputes and the potential for new government policies that would add further costs to business operations are of concern. Our industry operates under close margins and is constantly working to offer a competitive product alongside those manufactured in other jurisdictions in North America as well as overseas.

We ask the government to ensure that trade-exposed industries like ours are front of mind as it develops new trade policy and imposes levies that may leave our members in a position where they cannot compete in a globalized marketplace. Given that our industry uses wood by-products from other manufacturing processes and recycles them in an environmentally sustainable manner, the government and its programs should recognize the composite wood products industry as a green industry that is distinct from other more carbon-intensive industries. This could be done through targeted budgetary measures that financially support capital investment and growth in the composite panel sector, one of the backbones of Canada's rural economy.

Our industry is also faced with the unfortunate reality that there are overseas manufacturers who do not adhere to the strict environmental manufacturing guidelines that Canadian and U.S. manufacturers have long-since adopted. The primary concern is related to formaldehyde emissions from resins or glues that are used to bind the wood fibers used to make composite wood panels.

Canadian members have worked hard to create a voluntary regime that is harmonized with the United States Environmental Protection Agency (EPA) Toxic Substances Control Act (TSCA) Title VI regulations concerning formaldehyde emissions in composite wood products. Harmonization is key given that 75% of our overall product is exported to the U.S.

Our formaldehyde testing and monitoring processes, including the use of third-party certifiers, reassures the Canadian public that they are buying safe products from our homegrown Canadian manufacturers. Unfortunately, we have seen instances of a lack of quality control, ongoing testing and monitoring, and misuse of labelling in order for products manufactured overseas to be admitted and sold in Canada, unbeknownst to the public.

CPA has been working over the last number of years with Health Canada on the development of a harmonized regulation concerning formaldehyde emissions in composite wood products aligned with the EPA's TSCA Title VI. While this encouraging development will underscore the importance of this standard, we recommend the government enact measures and commit resources to ensure it can properly enforce the testing of potentially noncompliant product before it enters the country and is made available for sale. Empowering the Canadian Border Services Agency to conduct ongoing testing according to best practices and to enforce the removal of non-compliant materials protects Canadian consumers and ensures Canadian manufactures have a level regulatory playing field.

Finally, the federal government has been involved in ongoing reviews of fuel standards that may impact our industry as it relates to our raw material and feedstock sources. It is

important to remember that our value-added manufacturing process takes these wood by-products and creates new, long-lived, carbon-sequestering, sustainable wood products. We hire thousands of Canadians, contribute to local economies through wages, taxation, and ongoing business operations. Our mills have been in operation for many decades and provide stable economic contributions and induced activity in several major regions of the country.

If the government were to disrupt the often-fragile nature of our wood by-product supply into programs that subsidize the burning of our feedstock for energy, it would divert much needed wood residuals from our mills and create major challenges in the long-term operational viability for members. There is no justification for government subsidies that raise raw material costs for an environmentally sustainable, successful manufacturing industry that simply cannot compete with the government's financial subsidy for other industries to divert our feedstock to a lower value use.

Given this, we recommend that the government ensure any new clean fuel strategies do not include wood product facility by-products that would already be used in value-added manufacturing industries. In addition, CPA believes that carbon credit mechanisms under Canada's low carbon economy programs should include all products that sequester carbon, not just low carbon fuels. This will ensure that government policy and regulations do not create an unintended consequence of influencing current low carbon value chain markets.

The CPA and its members in Canada have been an ongoing success story in the push to innovate and develop a sustainable industry that provides essential materials to the daily lives of Canadians. While we face significant potential for industry upheaval due to

external forces beyond our control, we believe that by following the recommendations outlined above, our industry will remain globally competitive and sustainable in the years to come. We welcome the opportunity to outline our recommendations further.