



FOREST PRODUCTS ASSOCIATION OF CANADA

Forest Industry Seeks Federal Partnership to Support Global Competitiveness, Innovation, Transportation and Our Environment

RECOMMENDATIONS FOR 2018 FEDERAL BUDGET

AUGUST 2017

Executive summary



Who We Are

Forest Products Association of Canada (FPAC) is the voice of Canadian wood, pulp and paper producers nationally and internationally. Canada's forest products industry generates \$65 billion dollars annually, representing 12 per cent of Canada's manufacturing GDP. The industry is one of Canada's largest employers, operating in hundreds of forest-dependent communities from coast to coast, and directly employing 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 forest businesses. As the third largest manufacturing industry in the country, Canada's forest products sector is a cornerstone of the Canadian economy. We lead the greenest workforce in Canada and work jointly with governments and other community partners on environment and climate change priorities such as our *30 by 30 Climate Change Challenge* – a commitment to reduce carbon by 30 megatonnes of CO₂ a year by 2030 – representing more than 13% of the Canadian government's emissions reduction target.

Maintaining our industry's strong market position in the world is important if we want to continue to maximize sector contributions to economic growth for Canadian workers, businesses and communities. More critically, federal financing programs and policies must remain predictable and stable if transformative investment projects are to be successful.

As we prepare for Budget 2018, it is important that government remains mindful of a couple of issues that pose unique challenges to our sector:

1. Trade disputes – the ongoing Supercalendered Paper trade issue with China and the softwood lumber dispute with the United States continue to place significant pressure on our sector. The federal government must remain live to developments related to these disputes and make the appropriate interventions to defend Canadian workers.
2. Responsible environmental policies – Canada's forest products sector prides itself in the work it does to support forest and wildlife health, and is committed to being a solutions provider in our collective efforts to address climate change. Government policies, particularly in the areas of species at risk management and carbon, must be based on sound science and must be developed in concert with the appropriate socio-economic analyses.

An investment in the forest products sector means an investment in Canada's future prosperity and support for good-paying jobs in rural and northern Canada.

Summary of recommendations:

- **Continue to grow Canada's market access around the world, including investments to further strengthen the brand and reach of Canadian forest products in global markets (both wood and pulp products)**



- **Advance solutions to the climate change challenge by supporting the active and sustainable management of Canada’s forests and the expanded promotion of wood-based products.**
- **Fully implement recent announcements relating to innovation, transportation, and infrastructure.**

The government’s support of the more detailed recommendations below are vital to ensure our sector can remain globally competitive, generate high-value jobs, and achieve our climate change related goals through our *30 by 30 Climate Change Challenge*.

FPAC Recommendations:

Recommendation 1

Continue to grow Canada’s market access around the world

Canada is a trading nation, and the federal government has set forth an ambitious and progressive trade agenda, helping create new opportunities for exports and investment in new and existing markets. There are goals the government can set to ensure that this plan continues to grow Canada’s forest products exports:

- Ensure that during the renegotiation of the North American Free Trade Agreement (NAFTA) that enhanced trade facilitation and trade remedies are key objectives.
- Continue pursuing a Free Trade Agreement (FTA) with China, ensuring that Canadian forest products have preferential access to this important market.
- Continue searching for new market opportunities, by country and product type, for our traditional wood, pulp and paper products and new products such as cross-laminated timber, nano-crystalline cellulose, cellulose filaments, bio-fuels, pellets for electrical generation, and other bio-based products, to ensure continuous growth.
- Guarantee greater market access for the Canadian forest products sector, through the broad network of Canada’s trade offices and promoting “Brand Canada” around the world.

In an effort to support our industry beyond the wood category, FPAC is considering ways to support increased exports of Canadian pulp to global markets. Canada’s pulp sector is not only a key economic driver in communities across the country from Nackawic, New Brunswick to Port Mellon, B.C., but it is also a critical part of the overall forest products value chain. A strong pulp sector provides a market for sawmills to sell residual chips – helping our industry’s pursuit of driving value from every part of the tree and providing an important economic benefit for local communities.

For 2018, FPAC will be preparing a strategy tailored specifically for our pulp members in an effort to help them grow their markets and we look forward to sharing that with the federal government.

Recommendation 2



Investment of \$500,000 to promote Canadian forest products in global markets

FPAC considers it to be of the utmost importance to retain and grow customer demand for products sourced from sustainably managed Canadian forests, and to continue to be a globally competitive sector that contributes in a meaningful way to Canada's GDP. Canada's forest products industry wants to continue to be an active partner with federal and provincial governments to strengthen "Brand Canada".

Building on Canadian forestry's leading environmental reputation will help position Canada as a leading producer of responsibly sourced, high quality goods in global markets. Leveraging our sector's investment in third-party certification programs and our rigorous provincial forestry legislative and regulatory frameworks, the federal government can help advance the forest products industry's global reputation of being environmental leaders, and put Canada at the forefront against illegal logging and illegal timber trade.

The funding requested will help with:

- Reaching out to and staying connected to key customers and stakeholders.
- Proactive tracking, monitoring and providing a quick response capacity as needed, by both private companies and government officials.
- Work with partners and engage in projects to expand our knowledge base and resource network on various technical issues (e.g. global benchmarking of Canada's efforts to protect endangered species as compared to our global competitors like Russia).
- Information tools for our global markets to leverage Canada's leadership in forest protection, forest certification, legal logging and zero deforestation, and the shift by Canadian producers to waste based/green energy, as well as Canada's positive carbon story for use in key export markets (e.g. U.S., China, Japan, Korea). These information tools could include:
 - Updating a green procurement Buyers Guide, outlining for global customers how to ensure they are purchasing forest products from sustainable sources;
 - Developing Canadian Forest Products Fact Sheets to help disseminate accurate data on different topics including sustainable forest management to meeting carbon reduction goals; forest certification illegal logging; use of green energy and; protection of wildlife.

These investments will help the Canadian forest products sector compete against the increasing volumes of potentially unsustainable fibre entering the global marketplace, and the deforestation and illegal logging taking place in many competing nations.

Recommendation 3

Investment of \$600,000 to support promotion of building with wood

A key deliverable as part of FPAC's *30 by 30 Climate Change Challenge* is to increase the use of wood in new building construction. We also have an opportunity to bring the 'benefits of building with wood' message and or expertise in this space to the world.



In the U.S., a very successful initiative *ReThink Wood* has been established to support the expansion of building with wood – to realize both environmental and economic benefits for domestic industry.

A Canadian investment of \$600,000 in the *ReThink Wood* program would leverage an existing and effective \$2.4 million program and support its expansion into Canada.

The funding requested would help:

- Develop links with key building product and system influencers across North America including architects, engineers and developers.
- Highlight and position the economic, environmental and social benefits of softwood and next-generation lumber products and systems, particularly in mid-rise and tall wood residential and non-residential applications.
- Provide government and industry with a science-based and current go-to resource to learn and engage with building and design trends and experts, as well as new information on softwood and next-generation lumber products.

Recommendation 4

Investment of \$500,000 to support the “Forest of the Future”

Building on work done by the Canadian Forest Service (CFS) at Natural Resources Canada (NRCan), the forest industry and federal and provincial governments have a shared responsibility to better understand and implement practices to reduce Canada’s GHG emissions, and to better adapt to a changing climate so that our forests can be healthy for generations to come.

The funding requested would help:

- Assess the mitigation and adaptation practices feasible (economically and ecologically) in different regions across Canada.
- Assess opportunities and barriers in each region (e.g. silviculture regulations, technology, integrated assessment etc.).
- Share delivery models/approaches from jurisdictions with successful forest mitigation/adaptation approaches.

Recommendation 5

Ensure continued investment to eliminate impediments in Canada’s transportation supply chains

Improving transportation supply chains that affect Canada’s forest products sector, such as more robust highways for trucks, improvements to reduce bottlenecks for trains and marine infrastructure will ensure that productivity and competitiveness are enhanced throughout the different sections of the supply chain. This includes deepening the existing *Trade and Transportation Corridors Initiative (TTCI)*.



Ongoing support from the government in the form of the TTCl will strengthen Canada's position around the world as an effective and competitive trading nation. The TTCl will help remove bottlenecks throughout the infrastructure system and build stronger, more efficient movements of goods.

Reliable funding for the Trade and Transportation Information System will help ensure access to high quality and timely data of goods being transported at any one time throughout the country, making the movement of goods more productive for all involved, particularly as trade flows move beyond North-South to East-West.

FPAC also looks forward to working with the Canadian Transportation Agency (CTA) in relation to its ongoing Regulatory Modernization Initiative as it applies to rail transportation.

Recommendation 6

Support the implementation of recent budget announcements relating to innovation and transportation.

FPAC continues to play an influential role in the development of innovation in the sector. This modernization must continue in order to support the industry's ongoing transformation and long-term competitiveness. We applaud the support of the federal government in forest sector innovation. Continued backing will ensure the sector's growth, adaptation of innovative technologies and, funding for the forest industry's R&D pipeline in universities and colleges through public-private partnership.

Budget 2016 and Budget 2017 announced several funds related to innovation (e.g. Superclusters, Strategic Innovation Fund, and the Low Carbon Economy Fund). It is critical that these funds are accessible for innovation projects related to forest products sector transformation and carbon mitigation. The forest products sector has demonstrated that federal government support can be leveraged and can help accelerate sector transformation.

Conclusion

The forest products sector is a key driver for the Canadian economy, and the government should take additional actions to ensure its contribution by:

- Growing Canada's market access across the world;
- Investing to further promote the world-leading sustainable forest management practices in Canada;
- Ensuring economic access to fibre and help sustainable forest management and address climate change;
- Supporting the full implementation of recent budget announcements relating to innovation and transportation.

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

