

File: 19510-00

**SEP 29 2015**

**BY EMAIL**

To: Assistant Deputy Ministers  
Regional Executive Directors  
District Managers

From: Tim Sheldon,  
Deputy Minister

**Re: Administration of the Supplemental Forest Licences**

*Forest Act* and regulatory changes have enabled the advertising and issuance of the "supplemental forest licence", which is a form of restricted forest licence that can provide a supplemental source of fibre for timber processing facilities, if needed.

Attached to this memorandum is guidance for the administration of supplemental forest licences. This is an addendum to the June 21, 2012 memo and guidance titled, "Forest Licence Regulation - Guidance on Categories of Applicants for Non-Replaceable Forest Licences (2012)" (see links below).

<http://www.for.gov.bc.ca/ftp/HTH/external/!publish/web/timber-tenures/forest-licences/DK-memo-June-21-2012.pdf>

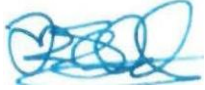
<http://www.for.gov.bc.ca/ftp/HTH/external/!publish/web/timber-tenures/forest-licences/reg-attachments-june-21-2012.pdf>

Please refer to the Forest Tenures Branch SharePoint site for the supplemental forest licence template at: [https://spc-](https://spc-flnr.gov.bc.ca/hthAdmin/default.aspx?RootFolder=%2FhthAdmin%2FTenure%20Documents%2F1%2DGeneric%20Timber%20Tenures%20Doc%20Repository&FolderCTID=0x01200042A6DFDA7E12544FB1DDAD9B36D320FC&View={F8ACFD2D-F84B-4B5C-B5E2-538E718E9539})

[flnr.gov.bc.ca/hthAdmin/default.aspx?RootFolder=%2FhthAdmin%2FTenure%20Documents%2F1%2DGeneric%20Timber%20Tenures%20Doc%20Repository&FolderCTID=0x01200042A6DFDA7E12544FB1DDAD9B36D320FC&View={F8ACFD2D-F84B-4B5C-B5E2-538E718E9539}](https://spc-flnr.gov.bc.ca/hthAdmin/default.aspx?RootFolder=%2FhthAdmin%2FTenure%20Documents%2F1%2DGeneric%20Timber%20Tenures%20Doc%20Repository&FolderCTID=0x01200042A6DFDA7E12544FB1DDAD9B36D320FC&View={F8ACFD2D-F84B-4B5C-B5E2-538E718E9539})

Assistant Deputy Ministers  
Regional Executive Directors  
District Managers

Contact Kelly Finck, Senior Tenures Forester, Forest Tenures Branch at (250) 387-8301, with any questions regarding the attached guidance.



Tim Sheldon  
Deputy Minister

pc: Doug Stewart, Director, Forest Tenures Branch  
Kelly Finck, Senior Tenures Forester, Forest Tenures Branch

## SUPPLEMENTAL FOREST LICENCE GUIDANCE

NOTE: THIS IS AN ADDENDUM TO THE JUNE 21, 2012 GUIDANCE TITLED "FOREST LICENCE REGULATION - GUIDANCE ON CATEGORIES OF APPLICANTS FOR NON-REPLACEABLE FOREST LICENCES (2012)"

Overview:

A supplemental forest licence:

- Is a form of restricted forest licence and, in accordance with the Forest Licence Regulation, and can only be advertised and awarded to entities that currently own or lease, or intend to own (i.e. purchase), lease or build a timber processing facility.
- Is a non-replaceable forest licence (NRFL).
- Must specify that timber harvesting rights will be authorized only if the licence holder has taken the steps, documented in the licence, to obtain fibre from other sources.

Section 14.2 of the *Forest Act* states the following:

(1) In this section:

"restricted forest licence" means a non-replaceable forest licence entered into under Section 13 (6) for which applications are invited on or after July 1, 2011 from one or more categories of applicants as established under Section 13 (2.1);

"supplemental forest licence" means a restricted forest licence that includes the condition described in Subsection (2) of this section.

(2) A supplemental forest licence, in addition to setting out the matters described in Section 14, must specify that timber may be harvested under the licence only if the minister is satisfied that the holder of the licence has taken the steps specified in the licence to obtain from other sources the timber and wood residue needed for processing facilities owned or leased by the holder.

(3) In respect of a supplemental forest licence, the requirement in Section 14 (e) is subject to the condition referred to in Subsection (2) of this section.

When to advertise a Restricted Forest Licence vs. a Supplemental Forest Licence

Advertising a restricted forest licence versus a supplemental forest licence depends on the fibre needs of the target applicants.

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A restricted forest licence would be advertised in situations where the target applicants need to harvest timber on a regular basis i.e. it is a primary source of fibre. A supplemental forest licence would be advertised in situations where the target applicants need to harvest timber only when their normal fibre supply is interrupted and supplemental harvesting is required to ensure that the timber processing facility remains operational.

The volume source for a supplemental forest licence should be identified similar to other tenures e.g. apportionment volume or unharvested volume in accordance with Section 75.8 (2)(c) of the *Forest Act*. In most cases the amount of volume needed to support the supplemental forest licence can be risk managed to some degree based on the expected level of harvest. For example, if harvesting is only expected 1/3 of the time, only 1/3 of the volume needed to support the licence may need to be identified. This should be adjusted over time based on the actual harvesting occurring under the supplemental forest licence. Once a supplemental forest licence is issued the identified volume should be considered committed and unavailable for further disposition.

### **Advertising and Award**

Supplemental forest licences are advertised under the criteria for restricted forest licences found in the Forest Licence Regulation. The licence should specifically identify eligible stands and/or areas where harvesting rights may be authorized, and they should reasonably align with the fibre requirements of the facility category in the advertisement.

In accordance with Section 8(1.1) of the Advertising, Deposits, Disposition and Extension Regulation, applicants for a supplemental forest licence are not required to submit the first year's annual rent with an application.

Optional clauses for the supplemental forest licence are in the forest licence template located on the Forest Tenures Branch SharePoint.

The "anticipated annual raw material requirements" of the timber processing facility(s) must be calculated and inserted into the licence prior to issuance.

### **Harvesting rights under a supplemental forest licence**

The following process should be followed for authorizing timber harvesting rights on a supplemental forest licence:

1. The licence holder must provide the DDM a written submission that summarizes the results of the steps, contained in the licence document, that demonstrate that they have attempted to obtain the fibre from other sources.
2. The DDM will review the licence holder's request for harvesting rights and may request additional information.

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3. The DDM, in a letter to the licence holder, will indicate if they are satisfied that the required steps have been taken to obtain fibre from other sources and will specify the volume (ml) of timber authorized for harvest under the supplemental forest licence, if any. The letter will also indicate the term that the harvesting rights are available to the licence holder. The maximum term is 10 years or the remaining term of the licence, whichever is less.
4. The licence holder can apply for cutting permits (CPs) only after receiving confirmation from the DDM that they can harvest under the supplemental forest licence (an approved Forest Stewardship Plan must be in place).
5. Steps 1 through 4 can occur more than once. For example, after receiving approval for volume in year one of the supplemental forest licence, the holder could apply for additional volume in a subsequent year(s) if fibre requirements are greater than that requested in previous submission(s).

### Additional considerations:

- The total volume ( $\text{m}^3$ ) approved for harvest by the DDM under the supplemental forest licence should not exceed the maximum harvestable volume under the licence.
- The total volume of CPs issued under a supplemental forest licence should not exceed the total volume approved for harvest by the DDM.
- CP applications can be for less than the volume approved for harvest. For example:
  - Supplemental forest licence is issued with an AAC of  $30,000 \text{ m}^3$  and a term of 10 years.
  - Maximum volume that can be harvested under the licence is  $300,000 \text{ m}^3$ .
  - In the first year, the licence holder requests approval to harvest  $50,000 \text{ m}^3$ .
  - DDM approves harvest of  $40,000 \text{ m}^3$  over the next 3 years (could have selected up to 10 years). This is volume, not AAC i.e. it is  $40,000 \text{ m}^3$  total over 3 years not  $40,000 \text{ m}^3$  per year for 3 years.
  - The licensee can then submit CP applications for up to  $40,000 \text{ m}^3$ . This could be one CP for  $40,000 \text{ m}^3$  or two CPs each for  $20,000 \text{ m}^3$  but the total volume of issued CPs should not exceed the total volume approved by the DDM ( $40,000 \text{ m}^3$  in this example).
- Normal rules regarding AAC and cut control apply to supplemental forest licences despite the amount of volume approved for harvest by the DDM.

### **Annual Rent**

The holder of a cutting permit issued under a supplemental forest licence must pay to the government an annual rent at the rate of \$0.37/ml of timber volume under CP (S. 1.1 of the Annual Rent Regulation). Consequently, the CP must include a clause that indicates the

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volume of timber authorized for harvest (a template clause in on the FTB SharePoint site). The best available cruise information for the cutting permit should be used to establish this volume.

This volume is for annual rent purposes only, and there are no licence implications if the actual harvest volume under the CP is higher or lower than the stated authorized volume.

Annual rent will not be adjusted based on the volume actually harvested under the CP.

### **Attributions under the Cut Control Regulation Not Authorized**

A supplemental forest licence holder is not eligible for volume attributions.

### **Grade 4 Crediting**

Harvested volume from a supplemental forest licence cannot be used as part of the Cut Control Regulation Section 17(6) Grade 4 crediting framework. However, a timber processing facility owned by the supplemental forest licence holder can still receive Section 17(6) transfers from other licensees if the facility qualifies under the Cut Control Regulation.

### **Transferring a Supplemental Forest Licence**

As with restricted forest licences, there are restrictions on transfers of supplemental forest licences. Refer to Section 54.4 of the *Forest Act* as well as Sections 4 and 8 of the Transfer Regulation.