



January 5, 2022

Coast Wide Implementation of the Variable Fee-in-lieu of Manufacturing

Part 10 of the *Forest Act*, Section 129 (a) provides for fees to be paid to the government for timber exported under an exemption from the requirement to manufacture timber in British Columbia. Fee rates vary by species, grade and locations.

The variable fee-in-lieu of manufacturing will be applied to all timber from Coast cutting authorities for which applications for a provincial export permit are received on or after December 15, 2020 except for applications under Orders in Council.

BC Timber Sales

If an application for exporting timber is received that contains timber from a Coastal TSL that was advertised on or after July 1, 2019; in addition to stumpage payable, a variable fee-in-lieu of manufacturing will be applied:

- a. If the TSL is located within an exemption area identified in a **blanket Order in Council** (OIC), an export application can be made under the OIC. The exemption volume percentage and the fee-in-lieu of manufacturing payable will be as established by the OIC for that exemption area.
- b. For any timber from a TSL advertised on or after July 1, 2019, that is advertised for export under the “**surplus test**”, the variable fee-in-lieu of manufacturing will be charged as follows:
 - i. Douglas fir: fee-in-lieu will be 15% of the domestic log value derived from the log price data collected for use in the Market Pricing System (MPS).
 - ii. While western redcedar and cypress are not exportable, any incidental volume of these species will be assessed with a fee-in-lieu of 15% of the domestic log value derived from the log price data collected for use in the MPS.
 - iii. Other conifer species: variable fee-in-lieu (VFIL) will be dependent on the Estimated Winning Bid (EWB) as set at the time of the TSL appraisal as follows:
 - Any conifer species volume other than Douglas fir, western redcedar and cypress, under a given timber mark will be charged a fee-in-lieu that is a percentage of the domestic log value derived from the log price data collected for use in the MPS.

- The percentage applied will be dependent on the EWB at the time of appraisal of the TSL and will not change for the term of the TSL. The percentage will be identified in the Safety and Highlights Report for each TSL.
 - For TSLs advertised between July 1, **2019** and December 14, **2019** inclusive, the percentage will start at 10% and increase to a maximum of 50% of the domestic log value derived from the log price data collected for use in the MPS. For TSLs advertised on or after December 15, **2019**, the maximum percentage is reduced to 35%.
 - The VFIL % formula for TSL's advertised prior to December 15, 2020 is EWB less 20: For TSL's advertised on or after December 15, 2020 the VFIL % is a minimum of 10% VFIL starting at EWB=40 and maximum of 35% (EWB=65).
 - TSLs with no EWB (decked sales) will have a fee in lieu of 17%.
- iv. Deciduous species and grade Z: fee-in-lieu will be \$1/m³.
 - v. There will be no multiplication factor applied to the variable fee-in-lieu.
- c. For any timber from a Coastal TSL advertised before July 1, 2019 (including any timber from a decked Coastal TSL) that is advertised for export under the “**surplus test**”, the fee-in-lieu of manufacturing will be charged as outlined in this policy, with the Multiplication factor set to 1.0: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/fee in lieu as of mar 1 2013.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/fee_in_lieu_as_of_mar_1_2013.pdf)

Non-BC Timber Sales:

All current and future timber marks (TM):

- a. If the TM is located within an exemption area identified in a **blanket Order in Council** (OIC), an export application can be made under the OIC. The exemption volume percentage and the fee-in-lieu of manufacturing payable will be as established by the OIC for that exemption area.
- b. For any TM that is advertised for export under the “**surplus test**”, the variable fee-in-lieu of manufacturing (VFIL) will be charged as follows:
 - i. **Douglas fir**: fee-in-lieu will be 15% of the domestic log value derived from the log price data collected for use in the Market Pricing System (MPS).
 - ii. While **western redcedar** and **cypress** are not exportable, any incidental volume of these species will be assessed with a fee-in-lieu of 15% of the domestic log value derived from the log price data collected for use in the MPS.

- iii. **Other conifer species:** variable fee-in-lieu will be dependent on the Estimated Winning Bid (EWB) as set at the time of the appraisal as follows:
- **Any conifer species volume other than Douglas fir, western redcedar and cypress**, under a given timber mark, that is applied for export under the “surplus test” will be charged a variable fee-in-lieu (VFIL) that is a percentage of the domestic log value derived from the log price data collected for use in the MPS.
 - Tables 1 and 2 below indicate the VFIL applicable based on EWB.
 - Table 1 reflects the formula $VFIL = (EWB - 42.23)$ and is in effect from December 15, 2020 to March 31, 2021.
 - Table 2 is effective April 1, 2021 and represents a look-up table for the EWB which will return the FIL %. A minimum of 10% VFIL starting at $EWB=40$ and maximum of 35% ($EWB=65$) applies.
 - The percentage applied will be dependent on the effective date of the EWB and will not change for the term of the cutting authority unless a Post Harvest (PH) Appraisal EWB is confirmed. The first EWB of the PH Appraisal will be used.
 - For export permit applications received prior to April 1, 2021:
 - TMs that were in effect December 15, 2020 will use the December 15, 2020 EWB.
 - TMs issued between December 16, 2020 and March 31, 2021 inclusive will use the initial EWB at the time of appraisal.
 - TMs with an expired stumpage rate prior to December 15, 2020 will use the last available EWB.
 - Table 1 applies for VFIL%.
 - For export permit applications received on or after April 1, 2021:
 - TMs that were in effect December 15, 2020 will use the December 15, 2020 EWB adjusted for the Fibre Recovery Zone (FRZ) variable if applicable.
 - TMs issued between December 16, 2020 and March 31, 2021 inclusive will use their initial EWB adjusted for the FRZ variable if applicable.
 - TMs with an expired stumpage rate prior to December 15, 2020 will use the last available EWB
 - TMs issued on or after April 1, 2021 will use the initial EWB.
 - The 10% minimum VFIL starts at $EWB=40$ and goes to the 35% maximum at $EWB=65$.
 - Table 2 applies for VFIL %.
 - TMs with a confirmed Post Harvest Appraisal EWB will use the first EWB of the PH appraisal. This EWB is only applicable to export permits applied for after the Post Harvest Appraisal is confirmed.

Table 1: VFIL for export permits approved between December 15, 2020 and March 31, 2021

EWB (\$/m3) min	EWB (\$/m3) max	Fee in lieu %
0	52.23	10
52.24	53.23	11
53.24	54.23	12
54.24	55.23	13
55.24	56.23	14
56.24	57.23	15
57.24	58.23	16
58.24	59.23	17
59.24	60.23	18
60.24	61.23	19
61.24	62.23	20
62.24	63.23	21
63.24	64.23	22
64.24	65.23	23
65.24	66.23	24
66.24	67.23	25
67.24	68.23	26
68.24	69.23	27
69.24	70.23	28
70.24	71.23	29
71.24	72.23	30
72.24	73.23	31
73.24	74.23	32
74.24	75.23	33
75.24	76.23	34
76.24	1000	35

Table 2: VFIL for export permits on or after April 1, 2021

EWB (\$/m3) min	EWB (\$/m3) max	Fee in lieu %
0	40.49	10
40.50	41.49	11
41.50	42.49	12
42.50	43.49	13
43.50	44.49	14
44.50	45.49	15
45.50	46.49	16
46.50	47.49	17
47.50	48.49	18
48.50	49.49	19
49.50	50.49	20
50.50	51.49	21
51.50	52.49	22
52.50	53.49	23
53.50	54.49	24
54.50	55.49	25
55.50	56.49	26
56.50	57.49	27
57.50	58.49	28
58.50	59.49	29
59.50	60.49	30
60.50	61.49	31
61.50	62.49	32
62.50	63.49	33
63.50	64.49	34
64.50	1000	35

- TMs with no EWB (non-appraised TMs) will have a fee in lieu of 17%.
- iv. **Deciduous** species and grade Z: fee-in-lieu will be \$1/m³
- v. There will be no multiplication factor applied to the variable fee-in-lieu.