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# FREQUENTLY ASKED QUESTIONS

January 26, 2024

Ministry of Forests

## Manufactured Forest Products Regulation

### Q1: What is being changed with this Regulation amendment?

- Any lumber that is not western redcedar (WRC) or cypress (CY) with a cross-sectional area greater than 0.1 m<sup>2</sup> and planned for export requires an exemption from manufacturing.
- All WRC and CY (both Interior and Coast) must be fully manufactured into lumber according to Table 1 below. Prior to this amendment, only Coast WRC/CY were required to be fully manufactured as outlined in Table 1.

### Q2: Why are these changes being made?

- One of the Province's key objectives is to rebuild solid wood and secondary industries to ensure more of B.C. logs and fibre are processed in the province to achieve more higher-value products.
- Effective February 1, 2024, the Interior area will be subject to the same policy that was implemented for the Coast area in 2020.

### Q3: When do the changes to the MFPR take effect?

- The new requirement to fully manufacture WRC and CY in the Interior comes into effect February 1, 2024.

### Q4: What lumber products are subject to the Regulation?

- NEW: Interior and Coast area lumber that has a cross-section area greater than 0.1m<sup>2</sup> (species OTHER than WRC & CY). A cross-section area of 0.1m<sup>2</sup> is approximately 12x12 inches square.
- NEW: Interior and Coast area lumber (WRC and CY) product categories are defined in the table below. Product categories A, B and C require an exemption and provincial export permit in order to be exported from BC. Finished or "deemed" finished products DO NOT require an exemption or permit

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**Table 1. Product Categories**

Product Category (ALL WRC and cypress)	Grade	Processes	Finished	Fee -In-Lieu	
<b>Products subject to Exemption and Fee-In-Lieu</b>					
A	Zero processes – exported direct from sawmill	All Grades <sup>1</sup>	Zero	No	Full Fee
B	One process and exported from BC	All Grades	One	Partially	2/3 Fee
C	Two processes and exported from BC	All Grades	Two	Partially	1/3 Fee
<b>Products Finished or “deemed” finished</b>					
D	Three or more processes and exported from BC	All grades	Three +	Yes	No Fee
E	Products exported over 3000 miles	All grades	N/A	Yes	No Fee
F	Rough or surfaced products used in appearance /decorative/architectural end uses as is <sup>2</sup>	All grades	Zero to Two	Yes	No Fee
G	Products less than 6mm in thickness	All grades	N/A	Yes	No Fee

### Q5: What is a “process”?

“Processes” are performed at a BC processing facility and are defined as any of the following:

- a change in thickness,
- a change in width,
- a change in length,
- a change in profile,
- a change in texture,
- a change in moisture content,
- a joining together by finger jointing, edge gluing, laminating, or other means,
- turning,
- chopping, or
- other processes that produce components for finished WRC/PCYC products.

### Q6: Do I only need to apply for a permit if a shipment is not fully manufactured or for all shipments regardless?

- Companies that have an approved exemption that want to export lumber which does NOT meet the new regulation need to apply for a permit. Lumber which meets the regulation requirements and policy does NOT require an exemption or a permit and can be shipped as is. Shipments can contain both fully manufactured and unmanufactured timber.
- Example: A shipment is made up of a total of 10,000 m<sup>3</sup>– with 4,000 m<sup>3</sup> that is fully manufactured and 6,000 m<sup>3</sup> is zero processes. There would need to be 6,000 m<sup>3</sup> available in an approved exemption and you would apply for a permit for only the portion that is not fully manufactured, which in this case is 6,000 m<sup>3</sup>. The fully manufactured 4,000 m<sup>3</sup> does not require an exemption or permit.

<sup>1</sup> Except those products direct from the sawmill included under category “F” deemed finished and used by the customer as is.

<sup>2</sup> May include products deemed finished with less than three processes. Examples would include: posts and timbers, beams and stringers, fascia boards, surfaced and run to pattern products. These products are ready for retail sale when exported from BC.

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### Q7: What is “Coast Area” vs “Interior Area”?

- “Coast Area” is the West Coast and South Coast Regions as defined in the Administrative Boundary regulation. A map of these Regions can be found here: <https://www2.gov.bc.ca/gov/content/industry/forestry/managing-our-forest-resources/ministry-of-forests-lands-and-natural-resource-operations-region-district-contacts>.
- New: The requirement to fully manufacture WRC and CY will be extended to the Interior area effective February 1, 2024. This means that the regulation and policy requirements are consistent throughout British Columbia.

### Q8: What is the purpose of the annual reporting requirement?

- Provides information on the level of manufacture of WRC and CY products being exported.
- Provides information on the amount of lumber >0.1m<sup>2</sup> cross-section area that is exported.
- Allows government to monitor the impact of the policy changes.
- The form (FS 1492) can be found here: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/fs1492\\_mfpr\\_reporting\\_form\\_generic.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/fs1492_mfpr_reporting_form_generic.pdf).

### Q9: How is government going to ensure companies are obtaining exemptions and paying the appropriate FIL?

- We expect companies to comply with the new regulation and requirements.
- Section 136 of the *Forest Act* provides the authority to require the submission of information relating to timber processing facilities. By instituting the requirement for a declaration of an authorized signatory of the company for each exemption and requiring annual reporting signed by an officer of the company, the Ministry will be able to conduct audits to ensure company records match information being submitted to government.
- Ministry of Finance now has the ability to audit fee in lieu. Companies may be selected for audit at any time.

### Q10: How do I apply for an exemption and provincial export permit?

- Applications for exemption and export permits is done online through LEXIS. <https://www2.gov.bc.ca/gov/content/industry/forestry/competitive-forest-industry/log-exports/apply-online-lexis>.
- The step by step guide for applications can be found at: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/how\\_to\\_mfpr\\_in\\_lexis\\_applicant.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/how_to_mfpr_in_lexis_applicant.pdf).

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- The declaration (FS 1491) that must be submitted with an exemption application can be found here: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/fs1491\\_mfpr\\_declaration\\_form\\_generic.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/log-exports/manufactured-forest-products-regulation/fs1491_mfpr_declaration_form_generic.pdf).
- Exemptions and permits must be in place prior to lumber being shipped for export. For just in time delivery or other extenuating circumstances, if an existing exemption has sufficient volume, the associated permit(s) can be applied for up to 5 business days after shipping. Exemptions **must** have enough volume available in order to be able to issue permits after shipping. Permit volume cannot exceed exemption volume.

### Q11: What is the fee in lieu (FIL) amount for my product(s)?

- EFFECTIVE FEBRUARY 1, 2024:
- NEW: Interior and Coast Area lumber made from species other than WRC and CY that has a cross-section area greater than 0.1m<sup>2</sup> has a FIL of \$1.00 per m<sup>3</sup>.
- NEW: Interior and Coast Area lumber made from WRC or CY has a FIL based on the following calculation:

Fee in Lieu amount = (0.67)\*(softwood lumber “all others duty”%)\*(lumber value)

- Where lumber value is the sales price less brokerage less freight less duties (CVD and ADD) in Canadian dollars.
- Softwood lumber “All Others” duty % effective August 1, 2023 is 8.05%.

#### Examples using the “all others” duty rate of 8.05%

Example 1: an exporter applies to export WRC lumber direct from sawmill (no processes applied). Total shipment value is \$10,000.

$$\text{FIL payable} = (0.67) * (0.0805) * (10,000) = \$539.35$$

Example 2: an exporter applies to export WRC lumber after drying and planing (two processes applied). Total shipment value is \$10,000.

$$\text{FIL payable} = (0.67) * (1/3) * (0.0805) * (10,000) = \$179.78$$

### Q12. Is there a volume limit per exemption?

- The maximum volume that can be exempted under one exemption is 15,000m<sup>3</sup>. The Forest Act defines exemptions in cubic meters (m<sup>3</sup>). The conversion factor for million board feet (MMBF) to cubic meters is 1 MMBF = 2,360m<sup>3</sup>.
- A single exemption can be issued for multiple products as long as each package within the exemption contains only products that are all in one product category as defined in Table 1 in Q4 above. The four types of product categories that require an exemption and provincial permit for export out of BC are:
  1. Lumber with a cross-section area greater than 0.1m<sup>2</sup>, for species other than WRC and cypress from the Interior and Coast Area
  2. Lumber with zero processes applied (Interior and Coast Area)
  3. Lumber with one process applied (Interior and Coast Area)
  4. Lumber with two processes applied (Interior and Coast Area)