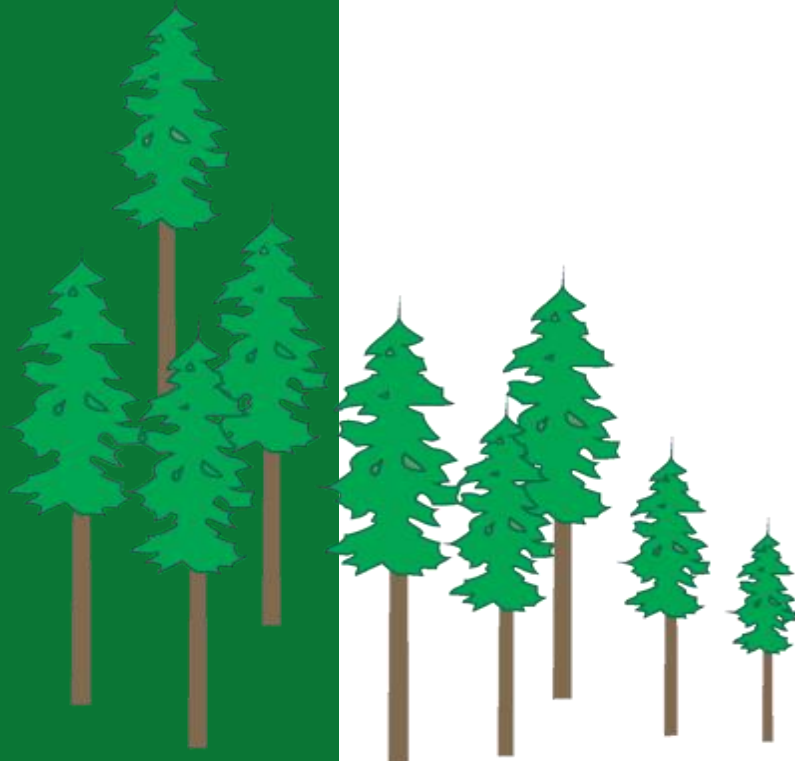




Pricing Wildfire Damaged Timber in BC



September 2023
Timber Pricing Branch

Pricing Wildfire Damaged Timber

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Pricing Wildfire Damaged Timber

I. Introduction

British Columbia has seen record breaking wildfire activity over the past several years resulting in a significant amount of timber being damaged or destroyed by fire. Whether or how much of that damaged timber is salvaged depends on two main factors:

- if it can be tenured, and
- how is it priced?

Over time, Timber Pricing Branch has made changes to address the unique issues associated with fire damaged timber. Some of these changes include:

- Incorporating a Fire Damage variable into the stumpage rate calculation that adjusts for the reduced value of fire damaged timber. This variable has been in place for many years with the coefficient being updated annually.
- Adding criteria into the timber cruising process to classify the severity of fire damage and then adjusting the net volume calculation to reduce the volume for fire damaged timber based on the severity of damage.
- Having a process in place when scaling fire damaged timber to lower the grade and reduce the volume of the log for fire damage.
- When conducting a waste survey, each log is assessed at its current condition. If the log has been damaged by fire and it is no longer usable for the manufacture of forest products, it would not be billed as waste.
- Work with Forest Tenures Branch on a guidance document regarding cutting permit amendments when fire damages some of the timber in the cutting permit.

We believe that these changes have resulted in an appropriate pricing system that recognizes the unique issues with fire damaged timber and prices that timber consistently and fairly.

If there are any questions or require additional information, please reach out to the Area Timber Pricing Staff.

II. Tenure Types

Introduction

A range of forest tenures and their associated pricing mechanisms exist in BC. Cutting permits issued under Forest Licences, Tree Farm Licences and First Nation Woodland Licences are fully appraised cutting authorities. A full appraisal means that the cutting authority area proposed for harvest is priced using site specific information that is gathered from that cutting authority area. This information includes everything from species distribution; volumes and quality; harvest method; development costs; haul distance; and more to come up with a site-specific stumpage rate.

BC Timber Sale Licences are priced from an auction. A full appraisal is produced by Ministry staff to determine the upset (starting) price¹ for the auction.

¹ Normally 70% of full appraisal value

Pricing Wildfire Damaged Timber

Some tenures are priced using tabular rates which are calculated as an average of all fully appraised cutting authorities within the area they are applicable to. These tabular rates generally apply to minor tenures (e.g. Woodlots, Community Forests), smaller volumes and specific situations or forest products.

Please see Appendix I for a synopsis of the various tenures available for fire salvage and their pricing options.

Fully Appraised Cutting Authorities

Below are the main tenures that provide for cutting authorities with fully appraised sawlog stumpage rates. These may be issued for 'green' timber or issued for the salvage of fire damaged timber.

Replaceable and Non-Replaceable Forest Licence (FL and NRFL)

- Volume-based tenures within a timber supply area (TSA).
- Most forest licence holders operate within a TSA and there are usually multiple forest licence holders operating within the same TSA.

Tree Farm Licence (TFL)

- Area-based tenure that grants virtually exclusive rights to harvest Crown timber on a specified area of land. Note – Crown timber includes all live or dead trees on public lands.

First Nations Woodland Licence (FNWL)

- Area-based, long term forest tenure with exclusive rights to harvest Crown timber. This tenure is unique to First Nations.

BC Timber Sale Licence (TSL)

- Auctioned volume-based tenure available to market loggers, wood processors and other forestry businesses. The appraisal is used to set the upset rate² (the rate that bidding starts at) and the bonus bid/offer from the auction is then added to the upset rate to set the final stumpage rate that the bidder will pay. The appraisal and final stumpage rate are used to determine the market value of timber harvested from public land and is the basis to set stumpage for other tenure holders.

Tabular Stumpage Rate Tenures

Below are some cutting authority types issued for the salvage of fire damaged timber that are eligible for damaged or fire damaged sawlog stumpage rates.

Blanket Salvage Cutting Authority (BSP)

- Issued to major licensees holding an existing replaceable forest licence or tree farm licence. Small blocks can be added to an existing blanket salvage cutting permit to quickly salvage/recover damaged timber.
- BCTS may also advertise damaged timber sales that meet the requirements for blanket salvage cutting authorities.

² Normally 70% of full appraisal value

Pricing Wildfire Damaged Timber

Small Scale Salvage Forestry Licence to Cut (FLTC)

- Direct award FLTC that allows the harvest of up to 2,000 m³ in volume.
- Available to the small market logger where the focus of the harvest must be on small, isolated patches of timber that are dead and/or in danger of being significantly reduced in value and would otherwise not be harvested.

Intermediate Salvage (FLTC)

- Competitively awarded FLTC that allows for the harvest of up to 5,000 m³ in volume.
- Focus of the harvest is on medium isolated patches of timber that are dead and/or in danger of being significantly reduced in value and would otherwise not be harvested.

Wildfire Salvage Opportunity Agreement (WSOA)

- Direct award fire salvage opportunities agreement with First Nations in moderate to high burn severity stands.
- A holder of a WSOA must receive a FLTC or NRFL to harvest wildfire damaged Crown timber from 2,000 m³ to 50,000 m³. (Note: current pricing for NRFLs over 2000m³ is not eligible for damaged timber stumpage rates). These larger volume tenures are priced using a full appraisal that addresses the damaged timber accordingly.

Woodlots and Community Forest Agreements (WL and CFA)

- Area based tenures that are not included in Fire Salvage pricing as they have their own tabular rate and are on their own permitting model.

III. Fully Appraised Sawlog Stumpage Rates

Introduction

Stumpage is determined using the Estimated Winning Bid (EWB) equation under the Market Pricing System (MPS). MPS uses market information and timber characteristics (among other things) to estimate the value of each cutting authority. These timber characteristics include estimates of tree species composition percent, volume, and the quality of the trees in the cutting authority. This information is sampled and collected in a timber cruise. The market pricing equation (known as the Estimated Wining Bid (EWB)) is derived from a dataset of BCTS auctioned timber sale licences.

Estimated Winning Bid

- The variables contained in the EWB regression equation (currently 27 in the interior) are those deemed to have a significant effect on the buyers' decision of what to bid. All the variables work together to estimate what the winning bid would be if the stand was auctioned (i.e. the value of the stand).
- The main variables which are impacted by fire damage are discussed below.

Fire Damage Variable

- Of the variables in the current Interior EWB equation, the Fire Damage variable adjusts the stumpage rate specifically for fire damage.
- 'Fire Damage' has been a variable in the Interior version of the EWB equation for many years.

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- The current Fire Damage variable reduces the stumpage rate by \$36.39/m³ multiplied by the percentage of the stand damaged by fire. In short, for every 10% of burned conifer volume identified in the stand, the stumpage rate is reduced by \$3.64 per cubic metre.
- The Coast EWB equation does not have a Fire Damage variable due to fire historically being less prevalent and less damaging on the coast.

Other EWB Variables

- Fire damaged trees sampled in the cruise have their net volume reduced by a specified amount which in turn reduces the total volume estimate of the stand.
 - Medium fire damage (5% reduction)
 - Heavy fire damage (40% reduction)
- As the total volume of the stand as well as the average volume per tree is reduced (due to fire damage), the stumpage rate is also reduced.

Real Stand Selling Price Variable (Interior only)

- The Real Stand Selling Price estimates the value of the lumber that can be produced from the stand of timber being appraised.
- As the amount of fire damage increases, the amount of volume available to produce lumber decreases resulting in a lower value of that stand.
- As the value of the stand decreases, so does the stumpage rate.

Tenure Obligation Adjustments (TOAs)

- TOAs are adjustments in the stumpage rate calculation for costs incurred by a major licensee that a BC Timber Sales Licence holder does not have.
- TOAs are represented in the calculation as dollars per cubic metre. As the volume is reduced, due to the fire damaged timber, the dollar per cubic metre TOA increases, resulting in a reduced stumpage rate.

In summary, fire damage reduces stumpage.

IV. Tabular Sawlog Stumpage Rates

Introduction

Tabular Sawlog Stumpage Rates are an average (by species) of fully appraised stumpage rates for the area to which the rates apply. These rates are updated regularly to keep them current. As noted above, tabular sawlog stumpage rates (normally referred to as Table Rates) are issued for small or special tenures to expedite the removal/extraction of small volumes of timber.

There are three different table rates for the Interior and two for the Coast:

- Average Sawlog Stumpage Rates (Interior and Coast) that apply to undamaged timber.
- Damaged Sawlog Stumpage Rates (Interior and Coast) that apply to damaged timber.
- Fire Damaged Sawlog Stumpage Rates (Interior only) that applies to fire damaged timber.

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Fire Damaged Sawlog Stumpage Rates

- Fire damaged sawlog stumpage rates are calculated by reducing the average sawlog stumpage rate (by species) by set factors.
- The reduction factors were calculated by taking the difference between the average sawlog stumpage rates and a subset which included only the fire damaged cutting authorities. The reduction factors range from 46% to 62% depending on species.
- The Minimum stumpage rate of 0.25/m³ applies to non-sawlog grades.

V. Stumpage Rates for Restoration Projects

Introduction

Restoration projects are typically done to rehabilitate a damaged stand and return it to a productive forest again. A number of these projects are uneconomic on their own. There is funding available for some of these projects to help cover costs.

If approved, Government will fund some of the activities for the project, but stumpage is payable by the tenure holder.

Forest Enhancement Society of BC (FESBC)

- FESBC defines stand restoration and/or rehabilitation as the harvesting and reforestation of uneconomic stands of timber.
- Cutting Authorities issued for a FESBC project with a volume less than 2000 m³ use the appropriate table rate (i.e., if it is a fire damaged stand the fire damaged sawlog rate will be used).
- The stumpage rate for a project with a volume greater than 2000 m³ is calculated using a full appraisal.

Forest Investment Program (formerly Forests for Tomorrow) (FLTC)

- Forest Investment Program funds projects that are uneconomic on their own.
- Forests for Tomorrow projects, for removing damaged timber (including fire damaged) from natural stands or plantations, under a Forest for Tomorrow awarded site rehabilitation contract, have a prescribed stumpage rate of \$1.20/m³.

VI. Cutting Authority Timber Damaged by a Wildfire

Introduction

If, after a cutting authority is issued and before harvest has been completed, some or all the stand is damaged by fire, the licence holder has options to mitigate the loss due to fire damage. These options are discussed below:

Pricing Wildfire Damaged Timber

Cutting Permit Amendments

- Upon the request of a licence holder, a District Manager may amend a cutting permit boundary to remove some or all the fire damaged timber. The area for deletion must have a sufficient area, be standing timber, damaged because of fire, and be beyond the licensee's control.
- An approved cutting permit amendment requires the licensee to submit a reappraisal consistent with the appropriate appraisal manual.
- A reappraisal is a re-evaluation of the cutting authority and redetermines a stumpage rate that is consistent with the new data.
- Please see Appendix II for *Guidance Memo to all Regional Executive Directors (From the Director of Forest Tenures and the Director of Timber Pricing)*.

Reappraised Stumpage Rates (adjustable stumpage rate forest tenures)

Post Harvest Reappraisal

- A post-harvest reappraisal is required on the coast and may be required in the interior if there were changes to what was submitted in the initial appraisal (ie. a District Manager approved cutting permit amendment).
- The reappraisal date is retroactive to the issue date of the cutting authority. This makes the new rate (from the reappraisal) apply to all timber cut and removed from the cutting authority.

Suddenly and Severely Damage Timber Reappraisal

- If a fire damages a significant portion of a cutting authority, and the holder of that cutting authority wants to harvest that damaged timber, the licensee can submit a reappraisal due to the sudden and severe damage.
- The licensee is required to re-cruise and recompile the damaged timber to determine a new estimate of timber quantity and quality to be used in the reappraisal.
- The stumpage rate calculated from the reappraisal is effective the first day of the month after the damage stopped on the cutting authority.

Redetermined Upset Stumpage Rates (fixed stumpage rate timber sales)

- The stumpage rate for a Timber Sale Licence (TSL) cannot be varied or changed and is fixed for the duration of the TSL except if there has been significant damage to the timber through no fault of the licence holder.
- A holder of a TSL impacted by wildfire has several options depending on the type of TSL, the extent of the fire damage, amount of harvest completed and the holder's intent to harvest the damaged timber. Those options are:
 - Proceed with harvest and salvage damaged timber.
 - Surrender the TSL and forfeit their deposit (provided that no harvesting has taken place) and apply for relief from deposit forfeiture.
 - Request the Timber Sales Manager amend the boundary of the TSL to remove some or all the damaged standing timber, and for the Minister to redetermine the upset stumpage rate/value accordingly.
 - Request relief of payments from the Lieutenant Governor in Council (*Financial Administration Act - Extinguishment of Debts or Remission Order*).

Pricing Wildfire Damaged Timber

Please see Appendix III for the *Guidance Memo to all Timber Sales Managers and Regional Executive Directors* (From Executive Director BC Timber Sales).

VII. Timber Cruising

Introduction

Timber cruising is the process of sampling a stand of timber to determine an estimate of the quantity and quality of the trees within the stand. This sampling process is done by establishing cruise plots and measuring those trees within the plots. The information is then entered into a cruise compilation program which will conduct all the calculations to prepare a series of reports that summarize the information.

Cruise Data

- The data that is collected in the cruise includes:
 - Standard tree data (i.e., species, diameter, height, and age) as well as,
 - Indicators of potential entrance points for decay, and
 - Damage codes which identify the type of damage and severity.
- Damage codes have reduction factors assigned to them so that the appropriate reduction factor is applied when calculating the volume for the tree.
- The damage codes that apply to fire and blowdown are:
 - Three fire damage codes are recorded in the cruise:
 - A: Light Damage
 - B: Moderate Damage
 - C: Heavy Damage
 - Two blowdown damage codes are recorded in the cruise:
 - E: Minor breaks and shatter
 - G: Multiple breaks and shatter
- Fires can cause indicators (scars) either directly, with the fire killing a portion of the tree where the bark falls off and exposes the wood underneath, or indirectly through rockslides/falling rocks or damage from falling trees.
- See Appendix IV for damage code details.
- Where it is unsafe to cruise (due to falling dead or damaged trees) or there is not time to conduct a full cruise, a comparative cruise (borrowed cruise data from a nearby comparable stand) may be used with government approval.
- Where it is not possible to safely collect Fire Damage information, a procedure agreeable to Government is conducted which may include a professional estimate and/or comparison to another similar stand (if available).
- See Appendix V for comparative cruise requirements.

Timber Cruise Compilation

- During a timber cruise, each tree is assessed for signs of potential entry of decay as well as damage (fire/blowdown/insect). These “indicators” and damage codes inform the cruise compilation program what deductions to make to the net volume calculation for the tree.

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- The deductions for the “indicators” and damage are done separately, and the most severe will be used in the final net volume calculation for the tree. For example, if the deduction for “indicators” is 23% but the deduction for fire damage is 40%, then 40% deduction will be used.
- The net volume for each tree sampled in the cruise plots is calculated which then gets summarized by the cruise compilation program.

VIII. Timber Scaling

Introduction

Scaling is an assessment of the volume and quality of the timber harvested under a cutting authority. Except for cruise-based cutting authorities, all timber harvested in British Columbia must be scaled. When scaling, volume deductions are made for burned and charred wood (as well as other defects). This will also affect the grade (quality) and the net volume available for the manufacture of wood products.

Net Firmwood Volume

- Scale results in British Columbia are reported in terms of the net firmwood volume in cubic metres.
- The net firmwood volume of timber excludes all rot, holes, missing wood, and charred wood. So, licensees are not charged stumpage for the portions of logs impacted by charred wood.

Cruise Based Cutting Authorities

- These are cutting authorities where the volume of timber is billed based on the timber cruise instead of scale.
- Fire damage must be recorded in the timber cruise to be accounted for in the stumpage rate calculation.
- The timber cruise must meet a higher sampling error, or a minimum number of plots per hectare to qualify for cruise-based billing.

IX. Timber Grading

Introduction

Timber grading is the assessment of the quality of a log and is done in accordance with the Schedule of Timber Grades, set out in the *Scaling Regulation*.

Grade descriptions specify a requirement that a percentage of the log's gross volume must be available to manufacture a given product. (i.e., sawlog).

Grades

- The interior has 5 grades while the coast has many more.
- In general, the higher the grade of a log, the higher the quality, and the more valuable it is.
- The presence of fire damage/charring will reduce the grade. The more fire damage/charring, the more of a reduction in grade.

Pricing Wildfire Damaged Timber

X. Waste and Residue

Introduction

Except for Cruise based cutting authorities, a waste assessment must be conducted after the completion of harvesting activities. This assessment determines the amount of volume left on site that the licensee was obligated to remove. The licensee is billed for this “wasted” volume.

- If the area was subject to a fire, and at the time of assessment, any volume (as standing trees, down or decked logs) burned to a point that it can no longer be used to manufacture forest products will not be classified as waste and will not be billed.

XI. Recent Wildfire Harvest Statistics- Interior Area of BC

The following table shows the amount of fire damaged harvest by species in the Interior of BC over the past 5 years:

Species	Fire Damaged Harvest (appraised permits only, m3)						% of harvest that was fire damaged					
	2018	2019	2020	2021	2022	2023 YTD	2018	2019	2020	2021	2022	2023
Balsam	65,352	360,563	199,265	84,496	229,652	112,946	1.3%	7.6%	3.7%	1.5%	4.5%	6.6%
Cedar	15,291	29,072	50,742	19,262	76,933	30,227	1.7%	2.8%	5.0%	2.0%	9.0%	10.1%
Douglas-fir	1,251,400	729,635	706,515	468,820	754,368	412,484	26.2%	18.9%	16.6%	12.0%	19.1%	27.4%
Hemlock	5,655	15,587	36,409	10,298	60,445	39,031	0.5%	0.9%	2.3%	0.7%	4.7%	8.1%
Larch	67,112	52,653	32,665	21,420	61,758	39,291	14.1%	11.5%	6.5%	4.3%	11.6%	20.2%
Lodgepole Pine	307,077	644,153	271,510	207,211	252,737	97,343	2.7%	7.5%	3.2%	2.7%	4.4%	4.6%
Spruce	202,414	354,454	187,179	136,016	388,875	136,245	1.8%	3.8%	1.8%	1.4%	4.4%	4.7%
White Pine	532	1,659	1,342	898	5,184	5,752	1.0%	2.6%	1.4%	1.4%	9.6%	17.2%
Ponderosa Pine	2,084	664	267	48	1,253	922	32.8%	11.3%	3.7%	0.6%	5.1%	11.6%
Interior	1,916,917	2,188,441	1,485,893	948,469	1,831,205	874,243	5.4%	7.4%	4.7%	3.1%	7.0%	9.4%

- Douglas-fir, Ponderosa Pine and Larch saw the highest volume salvaged.
- This is likely due to those species having the thickest bark and least impact to the solid wood of the tree.

Pricing Wildfire Damaged Timber

XII. Glossary

“**Comparative Cruise**” means cruise data that is used for a new cutting authority area being appraised that comes from another existing cutting authority area with similar stand and terrain characteristics;

“**Cruise Based**” means a cutting authority where under section 106 of the *Act* the stumpage payable is calculated using information provided by a cruise of the timber conducted before the timber is cut;

“**Cutting Authority**” means:

1. A cutting permit issued under a:
 - a. Forest licence;
 - b. Timber sale licence that provides for cutting permits;
 - c. Tree farm licence;
 - d. Community forest agreement;
 - e. Woodlot licence;
 - f. Timber licence;
 - g. Community salvage licence;
 - h. Master licence to cut;
 - i. Forestry licence to cut; or
 - j. First Nations Woodland licence.
2. A timber sale licence under which cutting permits have not or will not be issued;
3. All other licenses to cut; or
4. A road permit.

“**Cutting Authority Area**” means the area where timber may be harvested under the cutting authority being appraised, which has a unique timber mark;

“**Fully Appraised**” means stand data (site specific or borrowed) has been used by GAS to calculate an indicated stumpage rate or has been included in an appraisal for a BCTS cutting authority where the upset was set at the variable cost to prepare the timber for sale;

“**GAS**” means the ministry’s General Appraisal System;

“**Scale Based**” means the stumpage payable is based on a scale of the timber harvested from the cutting authority area in accordance with part 6 of the *Act*;

Appendix I

Salvaging Fire Damaged Timber in B.C. Currently Available Timber Tenure Options¹

Forest Tenures Branch – November 30th, 2017

Updated September 2021

Table 1: Cutting Permits (Existing Major Licensees)

		<i>Purpose</i>	<i>Restrictions</i>	<i>Reforest</i>	<i>Pricing</i>	<i>Other/Advantages</i>
1	Major Licence (Blanket Salvage)	Salvage small, dispersed blocks (insect, disease, fire). Fireguard decks	Up to 5,000 m3 or 15 ha. Must be consistent with District guidelines.	Licensee	Table Rates (IAM table 6-4A fire damaged specific rate table).	Add blocks by amending Exhibit A. New blanket salvage permit required if using rates in table 6-4A No cruise required. <u>Blanket salvage website</u>
2	Major Licence (Comparative Cruise)	Must be approved by District Manager or RED if >5,000 m3.	No volume limit under RED	Licensee	Uses cruise information from comparable nearby block. Volume and value adjusted based on burn intensity.	No cruise required.
3	Major Licence (Regular)	Harvest timber.	No volume limit.	Licensee	As per appraisal manual. Volume and quality decreased by application of damage codes (light, medium, heavy).	
4	Woodlot Licence One CP process	Harvest timber	Within Woodlot Licence area.	Licensee	Table Rate	No cruise required

¹ The following 3 tables identify the options that are available as of Sept. 28, 2021 to harvest stands damaged by fires.

		<i>Purpose</i>	<i>Restrictions</i>	<i>Reforest</i>	<i>Pricing</i>	<i>Other/Advantages</i>
5	Community Forest Agreement CP process	Harvest timber	Within Community Forest Agreement.	Licensee	Table Rate	No cruise required

Table 2: B.C. Timber Sales

		<i>Purpose</i>	<i>Restrictions</i>	<i>Reforest</i>	<i>Pricing</i>	<i>Other/Advantages</i>
1	Timber Sale Licence (ITSL; innovative) BCTS Only	Harvest marginal value timber. Cruise can be range from comparative information to a full cruise.	No restrictions	TSM; FFT may fund reforestation. Funding has to be approved before advertisement and meet FFT criteria.	Competitive auction; The advertised rate/value of the TSL must be the higher of the VCU rate or the MPS 70 rate unless approved by the BCTS executive Director Cruise-based sale. Can be scale base but there are some issues.	Reforestation and development costs may be funded by Forest for Tomorrow. ITLS Website Cruising Standards
2	Timber Sale Licence (regular) BCTS Only	Harvest Crown timber; provide info for MPS.	No restrictions. Can be either inside or outside of a BCTS operational area. Can be used to sell decked, felled or standing timber.	Timber Sales Manager	Competitive auction. The advertised rate/value of the TSL must be the higher of the VCU rate or the MPS 70 rate unless approved by the BCTS executive Director. Either cruise base or scale base	

Table 3: Other Options (new licences).²

		<i>Purpose</i>	<i>Restrictions</i>	<i>Reforest</i>	<i>Pricing</i>	<i>Other/Advantages</i>
1	Small Scale Salvage Forestry Licence to Cut	Salvage small patches of fire damage, dispersed timber.	Up to 2,000 m3.	District Manager	Table Rates (IAM table 6.4).	Professional application. No cruise required. Direct award. website link
2	Intermediate Salvage Forestry Licence to Cut.	Salvage medium sized dispersed timber.	Up to 5,000 m3.	District Manager	Competitive award. Upset plus bonus bid.	Professional application. No cruise required. website link
3	Direct Award FLTC to First Nation with an agreement (FTOA) F.A. 47.3(1)(a)	Salvage medium to large blocks	No volume limit	First Nation	Table Rates (IAM sec 6.4.1)	First Nation will need to have a FSP and an agreement in place.
4	Forestry Licence to Cut (F.A. 47.6(2)(b.1))	Direct award small volumes of timber.	Up to 50 m3	District Manager	Table Rates (IAM table	No restriction on type of timber. Could be used for removal of small decks.
5	Forestry Licence to Cut (F.A. 47.6(2)(b.2))	Disposing of decked timber.	No volume limit. (not for BCTS)	N/A	Table rate for direct award or competitive process	Only remove timber (decked); no rights to cut timber. website link
6	Forestry Licence to Cut (F.A. 72 and 73)	Salvage of dead and damaged timber. Volume harvested is charged to existing major licensee's cut control.	Up to 2,000 m3	District Manager	Table Rates (IAM table 6.4)	Must provide licensee opportunity to salvage timber first. Used for area-based tenures (s. 72) or within TSAs (73). Rarely used to-date.
7	Forestry Fibre Licence to Cut (F.A. 47.6 (2.11))	Removal of fibre from roadside and	Rights to fibre only. No rights to cut timber.	N/A	Special forest product \$0.25/m3	Primary harvester must abandon rights to timber prior to issue of tenure.

² Table 3 identifies options that are available in addition to the core options listed in Table 1 or Table 2.

	<i>Purpose</i>	<i>Restrictions</i>	<i>Reforest</i>	<i>Pricing</i>	<i>Other/Advantages</i>	
	landings (small scale).				<u>website link</u>	
8	Fibre Supply Licence to Cut (F.A. 47.71)	Removal of fibre from roadside and landings (larger scale).	Rights to fibre only. No rights to cut timber.	N/A	Special forest product \$0.25/m3	Primary harvester must abandon rights to timber prior to issue of tenure. Must advertise and award. <u>website link</u>
9	New Non-Replaceable Forest Licence (Advertise and award new licences focussed on fire salvage).	Larger- longer term licence.	Competitively awarded	Licensee	Interior Appraisal Manual	Harvest larger volumes of timber; increased time and effort to advertise and award.
10	Site Rehab Contract authorization	Cut and deck incidental timber as part of site rehabilitation. (FRPA 52)	Need authority to occupy the land (SUP or area based tenure). Incidental volumes only.	No legal obligation	N/A – Crown retains rights to timber.	Merchantable timber can be decked and sold by the Crown under TSL or FLTC.
11	Site Rehab Contract (government funded) + FLTC Direct Award	Remove timber as part of site rehabilitation.	No volume limit.	DM	Fixed rate of \$1.20 /m3 for sawlogs.	Forests for Tomorrow. <u>website link</u>

Other useful links:

[Interior Appraisal Manual](#)

[Resource Tenures Branch](#)

[CP/RP Admin Manual](#)

File: 19400-04

November 3, 2017

BY EMAIL

To: Regional Executive Directors
District Managers

From: Doug Stewart
Director
Forest Tenures Branch

Allan Bennett
A/Director
Timber Pricing Branch

Re: Cutting Permit Amendments

The purpose of the memo is to provide guidance with respect to cutting permit boundary amendments. It cancels and replaces the October 24, 2002 cutting permit (CP) amendment direction memo.

CP boundaries can be amended to remove areas where trees have not been cut under the following situations:

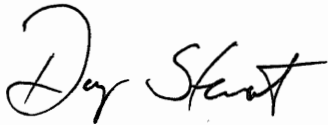
1. To reflect minor changes that occur beyond the licensees' control and are required for forest management reasons.
2. To remove areas where trees have been damaged as a result of major wind or ice (minimum 20 hectares), landslide or fire. The area proposed for deletion from the CP must be of a sufficient size to meet the change circumstance as detailed in the applicable appraisal manual.

The process for amending the CP boundary is as follows:

- Where uncut timber within a cutting authority has been damaged due to major wind or ice (minimum 20 hectares), landslide or fire, the licensee must determine if they wish to continue harvesting under the permit, or request deletion of some or all of the damaged area.

Regional Executive Directors
District Managers

- If the permit holder wishes to delete area from a cutting permit, they should apply to the district manager for an amendment to the CP boundary. The application must contain a description of the reasons for the amendment consistent with the conditions outlined in this memo.
- If the district manager approves the CP amendment, the licensee will be required to submit a reappraisal consistent with the appraisal manual.



Doug Stewart
Director
Forest Tenures Branch



Allan Bennett
A/Director
Timber Pricing Branch

File: 10765-01
Ref: 265594

July 20, 2021

To: Timber Sales Managers
Regional Executive Directors

Re: Timber Sales Licences (TSLs) Impacted by the Wildfires

The purpose of this memo is to update the October 12, 2017, memorandum concerning Timber Sales Licences (TSLs) impacted by Wildfires. In this context, this memorandum provides general guidance with respect to the various options that may be available to a holder of TSL that has been impacted by a wildfire.

Options¹

Depending on the type of TSL (i.e., cruise or scale based), the extent of the fire damage, the TSL holder's intention to harvest the entire licence area, or whether harvesting had already commenced, one or more of the following options are available:

- Proceed with harvest - no TSL amendment and no redetermination of stumpage rate/value;
- Surrender the TSL;
- Amend the TSL and have the stumpage rate/value redetermined by the Minister of Forests, Lands, Natural Resource Operations and Rural Development (the Minister);
- Waste and Residue Relief; and/or
- Remission Order pursuant to the *Financial Administration Act*.

Proceed with harvest – no TSL amendment

The TSL holder may decide to harvest all timber, including any fire damaged timber, within the tendered cutting authority area (no amendment to the TSL harvest boundaries). In this case, the terms and conditions of the TSL agreement, the upset stumpage rate/value, the bonus bid or bonus offer (as applicable), and the harvest area remains the same at the time of issuance.

¹ The TSL holder, alone, must decide whether or not to harvest the timber damaged by the wildfire. BCTS staff must only present to the TSL holder the options described in this note. BCTS staff cannot provide advice, direction, or imply approval to the TSL holder of the options listed or on what timber that may or may not be marketable.

² A deposit forfeiture under the TSL surrender rules does not affect a registrant's primary performance status under the BCTS performance-based deposit rules.

Surrender

Provided that no harvesting has taken place (i.e., no cutting, removal or knocking down of any trees), a TSL may be surrendered under the no-fault surrender rules. To do so, the holder must make an application in writing to the Timber Sales Manager (TSM) to surrender their TSL. Subject to confirmation that no harvesting has taken place, the TSM must accept the surrender and realize the security deposit².

Concurrent with the application to surrender of their TSL or within 30 days of the application to surrender, the TSL holder may apply for deposit forfeiture relief by submitting a written request to BCTS Headquarters c/o of the Director, Sustainability and Forestry. Although the decision respecting relief from deposit forfeiture cannot be presupposed, the statutory decision-maker may grant relief provided the TSL holder can clearly demonstrate that the reason(s) for the surrender were due to events:

- (a) beyond the TSL holder's control, and
- (b) unrelated to the TSL holder's financial situation.

Once a request for relief from deposit forfeiture has been received, business area staff will complete the necessary documents as per the normal BCTS deposit forfeiture relief process.

TSL amendment and/or redetermination of stumpage rate/value

Once harvesting has commenced, take or pay rules are triggered and the TSL holder is responsible for payment of upset stumpage and the bonus bid or bonus offer (as applicable). If standing timber within the TSL has been damaged by wildfires (not caused by the actions of the Licensee), the TSL holder can request that the cutting authority area be amended to exclude all or a portion of the standing fire damaged timber and also request that the Minister re-determinate the upset stumpage rate/value of the TSL, subject to the rules set out in the applicable Appraisal Manual.

The process related to this option is as follows:

- Prior to re-commencing post-wildfire operations, the licensee assesses their impacted TSL and identifies the portion of the standing fire damaged Crown timber they would like removed.
- The TSL holder then applies in writing to the TSM requesting an amendment to the TSL to remove all or a portion of the standing fire damaged Crown timber from the cutting authority area.
- The TSM will then assess the request(s) and if agreeable will amend the TSL as per normal amendment protocols to remove the standing fire damaged timber from the TSL.
- If TSL holder wishes to have a redetermination of stumpage rate/value as a result of the fire damaged timber is being removed from the licence, a letter to the TSM should also expressly request the Minister re-determine the stumpage rate/value of the TSL.
- The TSM must amend the TSL agreement prior to the Minister re-determine the stumpage rate/value.

For a cruise-based TSL, the process for redetermination of a stumpage value is:

- The Minister may re-determine the TSL value payable as a result of the TSL amendment for the removal of burnt timber (a percent reduction by the area being amended from the licence).
- The bonus offer that was submitted cannot be changed from the value that was submitted in the application to tender for the TSL.
- The Licensee would be required to pay the reduced upset stumpage value determined plus the submitted bonus offer value on the revised TSL cutting authority area.

For a scale-based TSL, the process for redetermination of a stumpage rate is:

- The Minister may re-determine the TSL stumpage rate payable as a result of the TSL amendment for the removal of burnt timber.
- The bonus bid that was submitted cannot be changed from the value that was submitted in the application to tender for the TSL.
- The Licensee would be required to pay the redetermined upset stumpage rate plus the submitted bonus bid rate for all timber scaled from the TSL after the effective date of the revised stumpage rate as determined by the Minister. Timber scaled before the effective date of the stumpage redetermination will be the advertised upset stumpage rate plus the submitted bonus bid rate.

Attachments 1 and 2 are sample formats of the information required in order for the Minister to re-determine the upset stumpage rate/value. If a stumpage rate/value is being redetermined, it is highly recommended that your staff discuss the process with BCTS Headquarter Tenure Operations & Sustainability staff. The reason is that each situation is different and there are specific items that needs to be considered. All stumpage redeterminations will need to be reviewed by BCTS Headquarter Tenure Operations & Sustainability staff first before sending the required brief material to Timber Pricing Branch staff. Timber Pricing Branch staff will be coordinating stumpage rate re-determinations for the Minister to consider.

Additional considerations in the event a TSL is amended and/or re-determine the upset stumpage rate/value:

- If the TSL holder had commenced falling of timber within the fire damaged area, that area will remain part of the TSL and will be subject to the terms and conditions of the agreement. Stumpage is payable at the advertised upset stumpage rate/value plus the submitted bonus bid/offer.
- If fire damage timber is to be excluded from the TSL, the TSM will be required to amend the TSL in FTA, RESULTS and other BCTS systems along with the site plan(s).
- Where a portion of the TSL has been cut and subsequently burnt by wildfires, the burnt harvested areas **cannot** be amended out of the TSL and stumpage is still payable. BCTS will hold silviculture obligations on that area.

The TSM may wish to exercise discretion when determining if certain TSL associated obligations are completed, or not, as a result of the wildfires (e.g., if the TSL agreement requires the creation of mammal piles but the creation of these piles become difficult because the suitable material for these mammal piles have been burnt. The TSM may wish to relieve the TSL holder of these specific obligation).

Waste and Residue Assessment

A waste and residue assessment is not required under a cruise-based TSL. As such, the provisions of the waste assessment policy do not apply for this type of agreement.

If the TSL agreement is scale-based licence, the holder of the agreement must complete a waste and residue assessment after they have declared harvesting activities complete. Waste and residue assessment must be completed in accordance with the [Provincial Logging Residue & Waste Measurement Procedures Manual](#). If the TSL holder doesn't request an amendment to the TSL to exclude any wildfire impacted timber, the waste and residue assessment needs to be completed for the entire cutting authority area, including the area impacted by wildfire.

In accordance with section 103.1 of the *Forest Act*, any merchantable timber remaining on the licence will be billed as waste. It is the TSL holder's obligation and responsibility to conduct as waste and residue assessment at their costs. If the TSL holder does not conduct a waste and residue assessment within the required period, the TSM will conduct the waste and residue assessment on the TSL holder's behalf and recover funds from the TSL deposit in accordance with Part 12, Financial and Deposits, of the TSL agreement or, section 21 of the BC Timber Sales Regulation.

Request for relief from the waste assessment

If the scale-based TSL holder wishes to keep the area damaged by the wildfires within the cutting authority area, then any merchantable timber that remains within the harvest area will be subject to the results from the waste and residue assessments. However, this timber may qualify for waste relief. The waste assessment policy outlines the requirements in which relief may be granted from a waste assessment. One of the aspects that the decision maker must consider when exercising his or her discretion with respect to waste relief requests is whether the licensee was prevented from removing timber from the cutting authority area by a naturally occurring event outside of their control. Any questions about waste assessment relief process must be directed to your regional Residual and Waste Specialist.

Remission order

The *Forest Act* does not allow statutory or administrative forgiveness of any debt to the Crown. The *Financial Administration Act* does provide two provisions for relief from payment to the Crown. In particular, section 18 (Extinguishment of debts), and/or section 19 (Remission orders) may be used singly or in conjunction with one another depending upon the specifics of each case. The authorization of a Remission Order is rare and is only granted in exceptional circumstances. Most remission order requests do not qualify.

A remission order is the last recourse available to TSL holders seeking relief of payment of an invoice issued by the Crown. If the Lieutenant Governor in Council considers it in the public interest to do so in a case, or class of cases, where great public inconvenience, great injustice,

or great hardship to a person has occurred, or is likely to occur, the Lieutenant Governor in Council may authorize the remission of any tax, royalty, fee or other sum that is paid or payable to the government.

Also attached, are two flow diagrams, scale-base and cruise base TSL, on how this process works.

If you have any questions, please call Allan Powelson, Director, BCTS Director of Sustainability and Forestry.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Luchkow". The signature is fluid and cursive, with the first name "Ray" being more prominent than the last name "Luchkow".

Ray Luchkow
Executive Director BC Timber Sales

Attachments (3)

pc: Allan Powelson, Director, Sustainability & Forestry, Director
Rob Bigalke, Director, Business
Gilbert Richir, Senior Manager, Tenure Operations and Sustainability

Appendix IV

7.6.2. Fire Damage

“Merchantable section” means the section of the stem between 30cm stump and the 10cm or 15cm top diameter inside bark as per the appropriate timber merchantability standards. Damage outside of these limits was not included in the loss factor data.

“Charring” means the actual destruction of wood by fire. There must be identifiable damage to wood fibre.

“Shallow charring” means charring with is greater than 100 cm² in surface area and less than one third of the radius of the tree (e.g. 10cm x 10cm).

“Extensive Shallow charring” means charring in the bottom third of the tree that has 3 or more area (each at least 100 cm²) of exposed and charred wood fibre or cumulative total of charred areas is greater than 300cm² (e.g. 10cm x 30cm).

“Deep Charring” means where charring is deeper than one-third of the radius of tree.

“Multiple Deep Checks” means where more than 1 check is deeper than one-third of the radius of the tree.

The following fire damage codes apply to all appraisal cruises and will be entered in column 62 of the cruise tally sheet (Figure 4.1 Cruise Tally Sheet – FS 205C (front side).):

7.6.2.1. Light Damage - Code A

Damage consisting of scorched bark and/or foliage but little or no charring in the merchantable portion of the stem (less than 100cm²). Bark scorching greater than or equal to 5 years after the date that the fire was recorded by the Ministry of Forests, Lands and Natural Resource Operations does not qualify for the fire damage coding.

7.6.2.2. Moderate Damage - Code B

Damage of any age consisting of shallow charring of wood fibre in the merchantable portion of the stem.

7.6.2.3. Heavy Damage - Code C

Damage of any age consisting of extensive shallow charring or deep charring in the merchantable portion of the stem. Multiple deep checks in trees less than 30 cm DBH with fire damage also qualify for heavy damage.

The risk groups of all fire damaged trees will be determined by tree class and pathology.

Surface checking may occur as the result of fire damage but this does not affect the tree classification.

7.6.3. Down Trees

The following Down Tree Codes apply to all appraisal cruises and will be entered in column 63 of the Tally Sheet (Figure 4.1 Cruise Tally Sheet – FS 205C (front side).) if they are located in the merchantable portion of living or dead potential trees and the tree is:

7.6.3.1. Damage Code E

- Uprooted
- Uprooted with one clean break.
- Standing and one clean break in the bottom or middle third.
- Standing and any shattered breaks in the middle third.

A clean break is shorter in length than the diameter of the stem at the break. The compilation program will assign the risk group by tree class and pathological indicators.

A tree with a break below stump height will be considered uprooted.

7.6.3.2. Damage Code G

- Uprooted with more than one clean break.
- Uprooted with any shattered breaks.
- Standing with any shattered break in the bottom third.
- Standing with one clean break in the bottom third and an additional break in the merchantable portion of the tree.

A shattered break is longer in length than the diameter of the stem at the break. The length of shatter is measured from stump height (i.e., only the length of the shatter in the merchantable portion of the stem is considered). The compilation program will down grade these trees to the highest risk group.

If the tree is partially uprooted or broken and supported by another standing tree, assign the appropriate down tree code (except Tree Classes 4 and 6). Blowdown codes are not assigned to Tree Class 4 or 6 trees.

If a shatter extends through DBH and either the standing or down portion of the tree fall outside of the plot, use the portion of the tree with greater than 50% of the basal area at breast height to determine if the tree is “in” or “out” and assign applicable damage codes (See Section 4.3.1.15).

Appendix V

Interior Appraisal Manual

1.5.1.1 Comparative Cruise Data

1. Except for subsection (4), if there is time to perform a full cruise, then the timber will be cruised.
2. Comparative cruise data may be used:
 - a. If the estimated volume is greater than 5,000 m³, and the regional manager has determined that the requirement to perform a full operational cruise will delay expeditious harvesting and result in further damage; or
 - b. If the estimated volume is 5,000 m³ or less, and the district manager has determined that the requirement to perform a full operational cruise will delay expeditious harvesting and result in further damage.
3. Comparative cruise data may not be used where the submitting licensee has submitted appraisals for previous cutting authorities which utilized comparative cruise data in the appraisal and has not harvested these cutting authorities in a timely manner.
4. Notwithstanding the other subsections of this section, comparative cruise data may be used when the stumpage rate is determined under sections 6.2(6), 6.2.1(3) and 6.4.3 of this manual.

Cruising Manual

2.9. Comparative Cruises – Interior Only

The Interior Appraisal Manual specifies the situations when comparative cruise data may be used for appraisal purposes.

The use of comparative cruise data is an exception and must be approved by the Regional Executive Director, except for Cruise Based Salvage Cutting Authorities (See Section 2.9.1). Sample design and methods used in a comparative cruise are subject to mutual agreement between the licensee and Regional Executive Director.

2.9.1. Cruise Based Salvage Cutting Authorities

For the purposes of those cutting authorities defined as cruise based salvage in the *Interior Appraisal Manual*, the comparative cruise method is as follows:

1. A qualified registered or associate member (RPF, RFT, ATE) of the ABCFP must provide a signed estimate of the:
 - a. average total height of the merchantable conifer stems in the cutblock
 - b. average total stems per hectare of merchantable coniferous and deciduous trees (standing and down) in the cutblock.
2. The registered or associate member of the ABCFP providing the estimate must include a description of how the estimate was generated and relevant supporting information.
3. The estimate will be used in the following table to generate a total coniferous and deciduous net merchantable volume per hectare: