

FOREST TENURES BRANCH

# **Sustainable Volume Grade 4 Credit Limit Guidebook**

June 1, 2015

Version 1.0



**Ministry of Forests, Lands and Natural Resource Operations**

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## Document Change Control

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1.0	June 1, 2015	First version released

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## Part 1 Introduction

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### 1.1 Purpose

The purpose of this policy guidance is to provide direction on how to determine if a Sustainable Volume Grade 4 Credit Limit Order (Minister's Order) is required under section 17.1 (Minister's Order Setting Limits on Downward Adjustments) of the Cut Control Regulation and if required the steps to implementing an Order.

### 1.2 Background

Section 17(6) of the Cut Control Regulation has been an effective tool in dealing with Mountain Pine Beetle impacted and other timber by encouraging the utilization of low quality logs. Section 17(6) allows licence holders to remove Grade 4 timber without having it counted against their licence's cut control position, **if** the timber goes to a primary facility (i.e. pulp/paper, bio-energy, etc.) other than a sawmill, veneer plant, or a facility that only produces cants (time limited) and application is made to the government for a credit.

Most Grade 4 timber is only counted against a licence holder's cut control position when harvested or counted as waste – however, if dry grade 4 is left on site it is not counted against cut control. Without the Grade 4 cut control credit, licence holders have less of an incentive to utilize this timber which decreases opportunities to other sectors of the forest industry.

There is concern that the excessive use of section 17(6) provisions (non-cut control accountable crediting of Grade 4) could lead to an overharvest of a management unit's allowable annual cut (AAC), especially in an environment of declining harvest levels.

### 1.3 Applicable Legislation and Regulations

**Forest Act – Section 75.1(3)** – now provides the Minister with the authority to issue a Sustainable Volume Grade 4 Credit Limit Order for: (1) one or more types of licences in an area (geographic or biologically based), or (2) specific licence(s) or type of licence.

**Forest Act – Section 75.1(3.1)** An Order must also contain the following:

(a) the area for which the order is made (Note: area is usually geographic, but can also be defined as a biologically defined area – such as non-pine leading stands, etc.),

- (b) the licence or type of licence to which the Order applies,
- (c) the time period during which the limit applies,
- (d) the grade and species of timber, or the uses of timber, to which the Order applies.

**Cut Control Regulation – Section 17.1** contains provisions for implementation of a Minister’s Order associated with Grade 4 exemptions permitted under section 17(6) of the Cut Control Regulation. Section 17(6) was set to expire on June 1, 2014, but was extended indefinitely on May 23, 2014.

**Cut Control Regulation – Section 17.1**

- 1) The minister may, by Order respecting an area, set a limit on one or both of the following:
  - (a) the aggregate volume of downward adjustments that may be made under section 17(6) to one or more types of licences in the area;
  - (b) the volume of downward adjustments that may be made under section 17(6) to a licence or type of licence specified in the Order.
- 2) If the minister sets a limit by Order under subsection (1), the limit must apply for a time period of at least 6 months.

## **1.4 Licences Subject to a Sustainable Volume Grade 4 Credit Limit Order**

Within Timber Supply Areas (TSAs) most forest licences can be subject to a Minister’s Order (see ineligible licences - below). Area based tenures that may be subject to a Minister’s Order includes; tree farm licences, woodlot licences, community forest agreements and First Nations woodland licences.

## **1.5 Licences Not Subject to a Minister’s Order**

The following licences are ineligible to participate in 17(6) crediting, and are currently described in section 17(7) of the Cut Control Regulation:

- (a) a holder of a licence in cut control statements listed in Schedule D (of the Cut Control Regulation) with respect to the licence listed in that schedule;
- (b) a forestry licence to cut;

- (c) a non-replaceable forest licence entered into under section 13 (6) of the Act in respect of a licence under section 13 (2.1) of the Act;
- (d) a non-replaceable forest licence entered into under section 13.1 (5) of the Act.
- (e) a licence that is restricted through the use of the licence document and/or a different definition of "volume of timber harvested" under section 75.11 of the Act.

In addition, the following licences are not issued a cut control statement and are ineligible to participate in 17(6) crediting:

- Timber licence,
- Community salvage licence,
- Licence to cut,
- Free use permit
- Timber sale licence that does not specify an allowable annual cut.

## 1.6 Options for Minister's Order

There are two Sustainable Volume Grade 4 Credit Limit Order options:

- 1. Lump Sum Minister's Order – Specify an aggregate volume of downward adjustments (Grade 4 credits) that may be made to one or more types of licences in the area.**

This option provides a maximum "lump sum" of Grade 4 volume that is available to all eligible licence holders on a first come, first served basis, within a management unit. All licence holders are therefore able to draw down the collectively available Grade 4 volume until the maximum threshold as specified in the Minister's Order is reached. Once the threshold is reached no further Grade 4 credits are permitted.

- 2. Individual Licence Minister's Order – Specify the volume of downward adjustments (Grade 4 credits) that may be made to a specific licence or type of licence specified in the Order.**

This option applies the available Grade 4 volume via a Minister's Order to each eligible licence based on that licence's relative percentage or share of the management unit's AAC. Once the licence holder has reached the volume limit specified in the Order then no further crediting of Grade 4 timber is permitted.

## 1.7 Roles and Responsibilities

Forest Tenures Branch: Is responsible for developing policy guidance and provide updates for any future changes to legislation, regulation, policy and procedures regarding section 17(6) and section 17.1 sustainable volume attribution limits.

Forest Analysis and Inventory Branch: Responsible for providing information regarding AAC determinations. Forest Analysis and Inventory Branch will also provide support to staff when Minister's Orders are being developed (e.g. aid in determining the "area credit limit" – see formula under section 1.8)

Areas: Will be the primary office that identifies any overharvest issues through the monitoring of licence holder cut control positions in a management unit. The Regional Executive Director (RED) is responsible for developing decision notes for approval by the Minister (FLNR) recommending an Order. The trigger for this will be a conclusion that the management unit harvest is nearing, at or exceeding the management unit AAC as set by the Chief Forester. Consultations with affected licence holders are expected before a Minister's Order is brought into effect.

For management units or areas that span more than one Natural Resource District, Area staff should compile applicable information and coordinate District involvement in the assessment for the need of a Minister's Order. When an Order has been brought into effect Area staff should post information on an internet website, and update periodically (e.g. quarterly) in order to keep all parties informed of the overall section 17(6) Grade 4 limit and amount that has been claimed by licence holders to date. Licence holders should also be notified of their specific credit position against the Minister's Order (e.g. when the annual Timber Volume Reports are produced and sent to licence holders).

Regions: Provide support to Regional Executive Director and Area Tenures staff as required.

Natural Resource Districts: Will provide support to Regions/Areas as required.

## 1.8 Individual Licence Minister's Order – calculating the licence volume limits. (Note: Not applicable to the Lump Sum Minister's Order)

For each licence in a section 17.1(1)(b) (Cut Control Regulation) Individual Licence Minister's Order, calculate the individual volume limit amounts according to the formula set out below:

$$SCCCL = \frac{(AAC \text{ of licence})}{(AAC \text{ of eligible licences})} \times (Area \text{ credit limit}) \times \left( \begin{array}{l} \# \text{ of years of Order or term} \\ \text{of licence whichever is less} \end{array} \right)$$

Where

SCCCL is the section 17(6) sustainable cut control credit limit available for the eligible licence.

AAC of area is the sum of the allowable annual cuts available to all eligible licence holders.

AAC of eligible licences is the sum of allowable annual cuts authorized in eligible licences under this Order (see Section 1.4).

Area credit limit total sustainable cut control credit limit available for the area in the Order. The area credit limit is the total amount of all 17(6) credits available in the Order, represented as cubic metres per year. The amount is derived through consideration of information referenced in section 2.1 (Assess the Need for an Order).

# of years of Order is the term of the Minister's Order, expressed as the number of years for that Order, or the term remaining on the individual licence, whichever is less.

No adjustments to the individual SCCCL amounts should be required, but flexibility to adjust values is permitted with a supporting rationale. Individual SCCCL amounts cannot be transferred between licences, once an Order is established. If new licences are issued after an Order is in place, these new licence holders will not be permitted to receive 17(6) credits unless the original Order is rescinded and the new licence added. Rescinding the original Order and issuing a new one is not recommended as the individual credit amounts in the original Order may require downward adjustments.

## 1.9 Sustainable Volume Grade 4 Credit Limit Order

Using the templates (see Appendix 1 and 2), draft a Sustainable Volume Grade 4 Credit Limit Order that specifies:

- A term of 6 months or more,
- List of affected (eligible) licences,
- The aggregate volume credit limit for one or more types of licences - *Forest Act* 75.1(3)(a.1)(i), (**Lump Sum Minister's Order**) (see Appendix 1) or
- The individual volume credit limits (**Individual Licence Minister's Order**) - *Forest Act* 75.1(3)(a.1)(ii) (see Appendix 2).

## 1.10 Relationship to Cut Control

Section 17(6) allows Grade 4 timber to be cut control exempt if the timber is delivered to a non-sawmill or veneer processing facility. If a Minister's Order is in effect then all Grade 4 timber up to the limit specified in the Order is cut control exempt if delivered to a non-sawmill or veneer processing facility. Once the upper volume limit in the Order is reached, then all additional Grade 4 timber harvest is attributable to the licence holder's cut control position, even if this timber is still delivered to a non-sawmill or veneer processing facility.

For administrative simplicity it is recommended that the term of any Minister's Order begin on January 1<sup>st</sup> of the applicable calendar year and end on December 31<sup>st</sup> of the applicable year. This will align the term of the Order with legislated cut control provisions that are applied to licences on a calendar year basis.

Section 75.11 provides the Minister with the authority to issue licences with a unique definition of "volume of timber harvested" for the purposes of cut control. This provision allows the Minister to issue licences that are restricted to select grades of timber. For example a licence can be issued that is restricted to the harvest of Grade 4 or lower quality grade stands. This licence in effect would not be eligible for section 17(6) exemptions through inclusion of applicable language in the definition of "volume of timber harvested".

## 1.11 Transfers of Credits between Licence Holders

There is no legal authority to provide for the transfer of Grade 4 credits between licence holders for an Individual Licence Minister's Order (see section 1.8), once an Order has been

brought into effect. Grade 4 credits are considered part of the “volume of timber harvested” as defined under section 75.1 of the *Forest Act* and is specific to volumes attributed at the individual licence level. Therefore, if a licence holder harvests Grade 4, then only that licence holder can claim the Grade 4 credit. If the Grade 4 volume is transferred to another licence, then the licence that receives the volume cannot claim the Grade 4 credit. Also if a licence holder (subject to a Minister’s Order) does not use their Grade 4 volume allotment, then this volume is not available to other licence holders listed under the Order.

However, if licence holders develop an agreement to transfer volumes before an Order is brought into force this information can be provided to the Minister for consideration. If acceptable an Order could be structured to accommodate the agreement between licence holders and provide some operational flexibility.

This is not an issue for a Lump Sum Minister’s Order where the Grade 4 volume available in a Management Unit is available on a “first come, first served” basis.

## **Part 2 Obtaining an Order**

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### **2.1 Assess the Need for an Order**

#### **Triggering a Minister's Order**

The key trigger for a Minister's Order will be harvesting evidence that the harvest of timber is near, at or exceeding the management unit's AAC as set by the Chief Forester. Under this scenario it is likely that the continued use of unlimited Grade 4 crediting under section 17(6) would result in an overharvest of the management unit's AAC.

The potential for management unit overharvesting will be more of a concern as AACs fall due to the completion of MPB uplift harvesting and resultant "fall down" effect. If overharvest is occurring then all Grade 4 exemptions should be voluntarily stopped when the Ministry provides licence holders with this information. If informal negotiations do not alter licence holder behaviour then Grade 4 crediting should be stopped or reduced to an appropriate level, through the use of a formal Minister's Order.

Area tenures staff can access most harvest information from the Harvest Billing System (HBS) to determine; both the total management unit harvest, and individual licence harvest as part of the annual cut control reports process. Section 17(6) Grade 4 credits are also tracked by Area staff and reconciled periodically (e.g. annually) through the cut control cycle. Once the overall harvest level is nearing the management unit AAC threshold then a more comprehensive review can be undertaken in order to determine the need for a Minister's Order.

Staff can also use cut control reports that are shared with licence holders on an annual basis. The base information for the cut control reports is derived from HBS, but is modified based on offsets and credits specified in legislation and regulation. In conjunction with HBS the use of these reports may provide a more refined determination of licence specific harvest levels.

In order to determine when a Minister's Order is required staff will need to consider the management unit harvest over a reasonable period of time. For example, a licence holder can harvest well above the licence AAC for shorter periods as long as the total licence harvest does not exceed the licence AAC permitted over the 5 year cut control period. Similarly, a management unit can remain sustainable if the total volume harvested does not on average exceed the AAC of the management unit.

**Note:** If there is sufficient evidence of overharvesting at the time of a Timber Supply Review or an apportionment decision, then it is possible to have the Minister consider implementing a Sustainable Volume Grade 4 Credit Limit Order at the same time.

**Licence Holder Discussions:**

Before a Minister's Order is formally put in place, staff should consult with licence holders operating in the area(s) covered by the proposed Minister's Order in order to determine the best option for the Order (lump sum Order versus licence specific Order). Licence holder's perspective on the best format for the Minister's Order will vary according to their cut control position, harvest profile, and position as Grade 4 supplier or receiver. Suppliers (e.g. harvesters) of Grade 4 tend to prefer a licence specific Order. Receivers (e.g. mill owners) of Grade 4 timber generally prefer a lump sum Order. Consensus on the best option may not be obtainable. However, up front discussions can assist in avoiding excess impacts to licence holders and will provide for better overall implementation of the Minister's Order.

**Information Requirements:**

Ministry Area staff (with support from Region and/or District) should compile the following information:

- Annually review the annual harvest in the management unit against the Chief Forester's AAC set for that management unit. Also determine the amount of Grade 4 timber being credited under section 17(6). Annual harvest information can be obtained using HBS and/or licence specific cut control statements.
- Note the timelines for the next AAC determination as projected by Forest Analysis and Inventory Branch. An anticipated significant change in a management unit AAC would likely affect the timing or requirement of a Minister's Order.
- Identify those licences that are to be included in the proposed Order (see section 1.4).
- For the whole management unit or for an area within the management unit, review a recent time period (i.e. 2 or more years) and:
  - Identify the total volume of timber harvested in the management unit (this will include all Grade 4 timber and can be determined using Harvest Billing System).
  - If the total volume for the management unit, which includes all Grade 4 materials delivered under section 17(6), exceeds the management unit AAC for two or more years then there is a risk that the management unit AAC is being overharvested.
- If so then initiate discussions with licence holders.
- If discussions with licence holders do not result in a modification of harvesting and section 17(6) use behaviour then begin the process to formally issue a Minister's Order.

- For each licence included in the proposed Order:  
the licence's share of the available Grade 4 timber is:

$$SCCCL = \frac{(AAC \text{ of licence})}{(AAC \text{ of eligible licences})} \times (Area \text{ credit limit}) \times \left( \begin{array}{l} \# \text{ of years of Order or term} \\ \text{of licence whichever is less} \end{array} \right)$$

- A summary of any related communications with the holders' of licences that are to be included in the proposed Order.

### **Preliminary Assessment**

Prior to the development of a Minister's Order decision package for the Minister, the Area tenures staff supported by other provincial staff should determine if there is a strong case for a Minister's Order by considering the following:

- The management unit AAC as defined in the most recent Chief Forester's AAC determination of the management unit in question.
- The amount of timber being harvested in the management unit (annually and over a period of 2 years or more). This can be obtained by using HBS or licence specific cut control statements.
- The risk of excess harvesting and/or the amount and magnitude of any previous over-harvesting in the management unit.
- The total volume attributed to section 17(6) crediting (both TSA wide and licence specific). This can be obtained via HBS and/or licence specific cut control statements.
- The potential consequences to the AAC if the over-harvesting trend continues.
- Implications to the operations of mills that are receiving significant amounts of non-cut control accountable Grade 4 timber.
- The licensee's rationale for the recent harvest history and related comments.
- The anticipated effectiveness if the Order is used to manage the harvest of the Grade 4 timber profile.
- The amount of Grade 4 timber being disposed of in waste or burn piles.

## **2.2 Sustainable Volume Grade 4 Control Limit Order Decision Package**

### **2.2.1 Which Timber Needs Harvest Limits?**

An Order's limits on harvested volume must be in respect of, or relate to, the amount of Grade 4 timber being attributed under section 17(6) of the Cut Control Regulation. If the

management unit harvest is at or near the AAC set by the Chief Forester then the amount of Grade 4 crediting under section 17(6) may need to be determined, and if appropriate be limited or capped.

### **2.2.2 Lump Sum Minister's Order**

A Lump Sum Minister's Order is a relatively simple process that does not require a formula or other calculations, only the establishment of the sustainable cut control credit limit amount. However, the total of all Grade 4 timber credited under Cut Control Regulation 17(6) cannot cumulatively exceed the amount specified in the Minister's Order. Some licences will not be subject to the Order or are not eligible to access section 17(6) credit provisions (see section 1.5). Include applicable information as found under section 2.2.5 below.

### **2.2.3 Individual Licence Minister's Order**

Any licence that is issued a cut control statement is eligible for inclusion in a Minister's Order. This includes forest licences, tree farm licences, woodlot licences, community forest agreements, and First Nations woodland licences.

Section 1.5 lists all forms of agreement that are not eligible or are restricted from accessing credits under section 17(6) of the Cut Control Regulation. These forms of agreement must not be included in a Sustainable Volume Grade 4 Credit Limit Order.

### **2.2.4 Calculate the Individual Licence Volume Limits**

See formula found in section 1.8.

### **2.2.5 Decision Briefing Note**

The decision briefing note intended for Ministerial approval should include:

- The management unit AAC as defined in the most recent Chief Forester's AAC determination of the management unit.
- The amount of timber being harvested in the management unit (annually and over the last 2 to 5 years).
- The main reason(s) why an Order is required as found in the Area's preliminary assessment of the situation.

- The potential consequences to the AAC if overharvesting continues.
- The proposed term (recommended not to exceed 5 years) and the reasons/rationale for the recommended term, including the proposed Minister's Order start date (either the date of the Order or a future specified date, etc.).
- A summary of the input and rationale of harvest activity as received from the holders of licences that will be affected by the Minister's Order.
- Reference to the draft Minister's Order which contains the total sustainable cut control credit limit as referenced in the Cut Control Regulation.
- The amount and magnitude of any previous over-harvesting and the amount of section 17(6) attributions (both TSA – wide and licence – specific).
- Implications to the operations of mills that are receiving significant amounts of non-cut control accountable Grade 4 timber.
- The implications to overall forest management (e.g. will Grade 4 timber simply be burnt or otherwise wasted if a Minister's Order is in place).
- A specific and detailed recommendation from the Regional Executive Director.

## **2.2.6 Draft Minister's Order**

Using the templates found under Appendix 1 and 2 draft a Minister's Order that specifies:

- The term (at least 6 months and recommended to not exceed 5 years).
- Start and end dates.
- The management unit or area.
- The aggregate volume credit limit for one or more types of licences [*Forest Act* – section 75.1(3)(a.1)(i)], or
- The individual volume credit limits [*Forest Act* – section 75.1(3)(a.1)(ii)].

The Regional Executive Director will first submit the decision package to executive (i.e. applicable ADM). The reviewed package will then be forwarded to the Minister for final review and sign-off.

## **2.2.7 Sustainable Volume Grade 4 Credit Limit Order Content**

Once a Minister's Order has been triggered, section 75.1(3.1) specifies that it must set out the following:

1. Indicate the area for which the Order has been made. Usually a management unit (TSA, TFL, etc.) but can also apply to sub-areas within a TSA if required.
2. The licence or type of licence to which the Order applies. Can be an individual or group of licences, and can include one or more forms of agreement as defined under section 12 of the *Forest Act*.
3. The time period during which the limit applies. This can range anywhere from 6 months to up to a recommended 5 years. The ability to select an applicable term will allow the Order to better align with upcoming and scheduled AAC determinations under section 8 of the *Forest Act*.
4. The grade and species of timber, or use of timber, to which the Order applies. At this time only Grade 4 timber is subject to an Order.

### **2.2.8 Notify Ministry Staff and Holders of Licences**

The Minister's decision and the signed Order (if approved) will be communicated to the Regional Executive Director by the Minister of Forests, Lands and Natural Resource Operations office. If the Minister has signed the Order, the Order will be posted on a government public website.

For each licence (or all licences within a type of licence) specified in the Order, the Regional Executive Director should provide a formal copy of the Order to the holder of the licence with any applicable supporting information.

## **Part 3 Administering an Minister's Order**

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### **3.1 Increase or Waive the Volume Limit**

There are no provisions to increase or waive an amount specified in a Minister's Order. If the amounts specified in the existing Minister's Order require changes then the Order must be rescinded and a new Minister's Order issued.

### **3.2 Penalties**

There are no penalties associated with a volume attribution limit Minister's Order. If a licence holder exceeds the amount of Grade 4 volume that is available for crediting under the Order, then any excess Grade 4 volume harvested will simply be ineligible for cut control crediting under section 17(6). Volumes in excess of the limit specified in the Minister's Order will be added to the licence holder's cut control position at the end of the licence's cut control period, and normal cut control provisions will apply.

### **3.3 Is There an Ongoing Need for Further Grade 4 Harvest Limits?**

When an Order expires, the effect of the Order is complete. If there is still a need for a limit on non-cut control accountable Grade 4 volume limits within a TSA or TFL, a new Minister's Order can be proposed for the Minister's consideration. If the Minister signs a new Order, it will function independently of any previous Orders for that management unit.

## Appendices

### Appendix 1: Lump Sum Minister’s Order

#### ORDER OF THE MINISTER OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS

(section 75.1(3)(a.1)(i) of the *Forest Act*)

Ministerial Order Number 75.1(3)(a.1)(i) – [Specify unique number with management unit identifier]

I, XXXXX, Minister of Forests, Lands and Natural Resource Operations, Order that:

1. In this Order:
  - (a) words and phrases have the same meaning as in the *Forest Act*;
  - (b) "Schedule" means the schedule attached to this Order;
  - (c) “Aggregate Volume Limit” means the aggregate volume limit on Cut Control Regulation section 17(6) downward adjustments that may be made to one or more types of licences in the [management unit].
2. For the period starting [use “the date of this Order” or specify a future date] and ending on [specify date for 6 months or more from date of the Order], the limit on Cut Control Regulation section 17(6) downward adjustments, under one or more types of licences listed in column 1 of the Schedule, is specified in column 2 opposite.

Minister of Forests, Lands and Natural Resource Operations

Date

[Separate page]

#### SCHEDULE TO ORDER NUMBER 75.1(3)(a.1)(i) – [#]

Column 1 Type of Licence	Column 2 Aggregate volume limit on Cut Control Regulation section 17(6) downward adjustments over term of Order (cubic metres)
[specify type of licence]	[specify aggregate volume limit]
[specify type of licence]	[specify aggregate volume limit]
[specify type of licence]	[specify aggregate volume limit]
[specify type of licence]	[specify aggregate volume limit]

**Appendix 2: Individual Licence Minister’s Order**

**ORDER OF THE MINISTER OF FORESTS, LANDS AND NATURAL  
RESOURCE OPERATIONS**

(section 75.1(3)(a.1)(ii) of the *Forest Act*)

Ministerial Order Number 75.1(3)(a.1)(ii) – [Specify unique number with management unit identifier]

I, XXXXX, Minister of Forests, Lands and Natural Resource Operations, Order that:

1. In this Order:
  - (a) words and phrases have the same meaning as in the *Forest Act*;
  - (b) "Schedule" means the schedule attached to this Order;
  - (c) "Volume Limit" means the volume limit on Cut Control Regulation section 17(6) downward adjustment that may be made to a licence specified in the Order in the [management unit].
2. For the period starting [use "the date of this Order" or specify a future date] and ending on [specify date for 6 months or more from date of the Order], the limit on Cut Control Regulation section 17(6) downward adjustments, under each licence listed in column 1 of the Schedule, is specified in column 2 opposite.

\_\_\_\_\_  
Minister of Forests, Lands and Natural Resource Operations

\_\_\_\_\_  
Date

[Separate page]

**SCHEDULE TO ORDER NUMBER 75.1(3)(a.1)(ii) – [#]**

Column 1 Licence	Column 2 Volume limit on Cut Control Regulation section 17(6) downward adjustments over term of Order (cubic metres)
A[specify number]	[specify volume limit]
A[specify number]	[specify volume limit]
A[specify number]	[specify volume limit]

### Appendix 3. Examples of Minister's Orders

#### 1. Lump Sum Minister's Order

- Minister determines that 50,000 m<sup>3</sup> of Grade 4 timber can be sustainably harvested annually from a management unit or stand type (e.g. biological area), and be credited against cut control under section 17(6) of the Cut Control Regulation.
- Term of the Order is 5 years.
- This volume is provided to eligible licence holders as a lump sum. Grade 4 timber is accessed on a first come – first served basis. Grade 4 credits can be claimed up to the threshold of 50,000 m<sup>3</sup>.
- Credits are only allocated to eligible agreements. In most cases this will simply be eligible forest licences (replaceable and non-replaceable).

### **ORDER OF THE MINISTER OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS**

(section 75.1(3)(a.1)(i) of the *Forest Act*)

Ministerial Order Number 75.1(3)(a.1)(i) – [01 – Interior TSA]

I, XXXXX, Minister of Forests, Lands and Natural Resource Operations, Order that:

1. In this Order:
  - (a) words and phrases have the same meaning as in the *Forest Act*;
  - (b) "Schedule" means the schedule attached to this Order;
  - (c) "Aggregate Volume Limit" means the aggregate volume limit on Cut Control Regulation section 17(6) downward adjustments that may be made to one or more types of licences in the **Interior TSA**.
2. For the period starting **January 1, 2015** and ending on **December 31, 2019**, the limit on Cut Control Regulation section 17(6) downward adjustments, under one or more types of licences listed in column 1 of the Schedule, is specified in column 2 opposite.

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Minister of Forests, Lands and Natural Resource Operations

Date

### SCHEDULE TO ORDER NUMBER 75.1(3)(a.1)(i) – [#]

Column 1 Type of Licence	Column 2 Aggregate volume limit on Cut Control Regulation section 17(6) downward adjustments over term or Order (cubic metres)
Forest Licences	250,000 m <sup>3</sup>

#### 2. Individual Licence Minister's Order - (Example)

- Minister determines that 50,000 m<sup>3</sup> of Grade 4 timber can be sustainably harvested annually from a management unit or stand type (e.g. biological area), and be credited against cut control under section 17(6) of the Cut Control Regulation.
- Term of the Order is 5 years.
- Management unit AAC is 1,000,000 m<sup>3</sup>, but sum of the eligible licence AACs is only 800,000 m<sup>3</sup>.
- The available Grade 4 volume is provided to individual eligible licence holders based on the formula:

$$SCCCL = \frac{(AAC \text{ of licence})}{(AAC \text{ of eligible licences})} \times (\text{Area credit limit}) \times \left( \begin{matrix} \text{\#of years of Order or term} \\ \text{of licence whichever is less} \end{matrix} \right)$$

Where

SCCCL is the section 17(6) sustainable cut control credit limit available for the eligible licence.

AAC of eligible licences is the sum of the allowable annual cuts available to all eligible licence holders is (800,000 m<sup>3</sup>). Note: This is not the Management Unit AAC

AAC of licence is the allowable annual cut authorized in the eligible licence. (3 eligible licences: (1) 100,000 m<sup>3</sup> AAC, (2) 300,000 m<sup>3</sup> AAC, (3) 400,000 m<sup>3</sup> AAC. Note: remainder of MU AAC (200,000 m<sup>3</sup>) is allocated to others (e.g. BCTS, non-eligible FLs, etc.).

Area credit limit is the total Grade 4 credit limit available for the Order (50,000 m<sup>3</sup>).

Licence 1 -> SCCCL = (100,000/800,000) \* 50,000 \* 5 years = 31,250 m<sup>3</sup> over term of Order.

Licence 2 -> SCCCL = (300,000/800,000) \* 50,000 \* 5 years = 93,750 m<sup>3</sup> over term of Order.

Licence 3 -> SCCCL = (400,000/800,000) \* 50,000 \* 5 years = 125,000 m<sup>3</sup> over term of Order

Total Grade 4 harvest = 250,000 m<sup>3</sup> for 5 years or 50,000 m<sup>3</sup>/year

## ORDER OF THE MINISTER OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS

(section 75.1(3)(a.1)(ii) of the *Forest Act*)

Ministerial Order Number 75.1(3)(a.1)(ii) – Interior TSA

I, XXXXX, Minister of Forests, Lands and Natural Resource Operations, Order that:

1. In this Order:
  - (a) words and phrases have the same meaning as in the *Forest Act*;
  - (b) "Schedule" means the schedule attached to this Order;
  - (c) "Volume Limit" means the volume limit on Cut Control Regulation section 17(6) downward adjustment that may be made to a licence specified in the Order in the Interior TSA.
  
2. For the period starting [January 1, 2015] and ending on [December 31, 2019], the limit on Cut Control Regulation section 17(6) downward adjustments, under each licence listed in column 1 of the Schedule is specified in column 2 opposite.

\_\_\_\_\_  
Minister of Forests, Lands and Natural Resource Operations

\_\_\_\_\_  
Date

### SCHEDULE TO ORDER NUMBER 75.1(3)(a.1)(ii) – [01- Interior TSA]

Column 1 Licence	Column 2 Volume limit on Cut Control Regulation section 17(6) downward adjustments over term of Order (cubic metres)
FLA00001	31,250
FLA00002	93,750
FLA00003	125,000

**Principles:**

- Minister's Order should be considered if there is evidence that the continued unrestricted use of grade 4 crediting may put the management unit in an excess harvest situation.
- If evidence of excess Grade 4 crediting is found, then Regional staff will initiate discussions regarding the need for a formal Minister's Order. As required, licence holders and staff from Forest Tenures Branch, Forest Analysis and Inventory Branch, Areas and Districts will be included in these discussions to determine the best possible approach for the management unit in question.
- Forest Tenures Branch should be involved in the development of the Minister's Order to ensure that provincial level consistency is maintained between the areas. Industry has expressed concern regarding the inconsistent application of Minister's Orders could create business and planning uncertainties.
- Initial discussions should encourage licence holders to voluntarily restrict the use of Grade 4 crediting before a Minister's Order is formally brought into effect.
- Scope of discussions will include (but not be restricted to): management unit harvest levels, management unit AAC, the anticipated timber supply trends for the management unit, impact of partitions (if any), the amount of Grade 4 credited to date, and licence specific versus a lump sum Minister's Order, etc.
- Information regarding Grade 4 harvest levels will be drawn from Ministry information sources (e.g. Harvest Billing System, cut control statements, etc.).
- Management unit harvest levels will be reviewed annually regarding use of Grade 4 volumes and the impact of Grade 4 credits against the management unit's AAC to determine if the management unit is nearing excess harvest levels.
- It is the licence holder's responsibility to ensure they harvest within the bounds of the Minister's Order and licence AAC. Exceeding the volumes in the Minister's Order may result in the licence holder being in an over harvest position when cut control is reconciled.
- Where applicable the term of the Minister's Order should approximate or coincide with the Chief Forester's AAC determination period for that management unit.