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BY EMAIL

To: Assistant Deputy Ministers
Regional Executive Directors
District Managers
BC Timber Sales Managers

From: Dave Peterson
Acting Deputy Minister

Re: Declining Timber Supplies and Allowable Annual Cut Management

Purpose:

The purpose of the document is to provide a summary of the factors that should be considered and the options available to manage declining allowable annual cuts (AAC).

Introduction:

The ministry regularly reviews the timber supply for all timber supply areas (TSA) and tree farm licences (TFL) in the province. This review examines the impacts of current forest management practices on the timber supply, economy, environment and social conditions of the local area and the province. Based on these reviews, the chief forester will re-determine a new AAC for each management unit at least once every ten years.

There has been much discussion, analysis and concern in recent years regarding the Mountain Pine Beetle's (MPB) impact to the province's timber supply. Current projections are that nine TSAs and one TFL, provincially, will experience AAC declines of 20 percent or more over the next ten years.

The anticipated decline in AAC in some management units is challenging government to provide sufficient timber volumes to existing licence holders while providing opportunities for new entrants; particularly those that can increase the utilization of fibre (e.g. pellets, bio-energy).

Key Strategic Points:

- The AAC of some interior TSAs will drop significantly as MPB timber degrades with resultant socio-economic impacts.

- First Nations are seeking a larger portion of the AAC to further their economic goals. However, much of the volume previously provided to First Nations to build capacity was sourced using short-term MPB AAC uplifts.
- Decreases in TSA AAC will likely impact the BC Timber Sales Program and could have a negative impact on the Market Pricing System.
- Existing licence holders want to protect existing harvesting rights as much as possible.
- New entrants (e.g. bio-energy) will continue to seek access to low value fibre.
- The *Forest Act* already provides a framework to manage TSA AAC reductions and subsequent AAC allocations. Forest management policy is continually being crafted to assist decision makers in formulating options. It is expected that legislation and regulatory amendments may be required in the future to support decisions.

Objectives of Decisions:

- Ensure that decisions are legal (consistent with legislation) and are both fair and defensible to existing tenure holders and stake-holders.
- Ensure that TSA AAC is sustainable over time and any decisions adequately protect the Mid-Term Timber Supply.
- Provide opportunities (where available) for new entrants to the forest sector.

Key Questions for Decisions Makers to Consider:

- **Is the TSA AAC being reduced to a level above the pre-uplift AAC, or is the AAC being reduced below the pre-uplift AAC?** The legislative and policy approaches will vary depending on the scale of the TSA AAC reduction (see General Scenario's section).
- **Does the TSA AAC require any partitions?** Partitions can be used to delineate timber associated with the Mid-Term Timber Supply (e.g. higher value species, better economic areas, etc.). Once delineated, the partition can then be protected through the use of a minister's Partition Order (if required) that sets an upper partition harvest limit.
- **What replaceable AAC tenures (forest licences) currently exist on the land base?** Replaceable tenures are difficult to eliminate due to their "perpetual" replacement attribute. A high percentage of the provincial AAC is in replaceable tenures.

General Scenarios:

1. **AAC decrease, but does not fall below pre-MPB AAC uplift level**
 - Depends on scale of AAC reduction. In general, existing replaceable licence holders should be protected from licence specific AAC reductions.
 - Allow existing non-replaceable agreements to expire and do not issue new agreements using previous volumes.
 - May be difficult to shift to new priorities (i.e. increase FN allocations, expand CFA Program, etc.).
2. **AAC decreases and falls below the pre-MPB AAC uplift level**
 - More significant reduction in TSA AAC.

- Existing replaceable AAC licence holders will have proportional AAC reductions.
- Flexibility to reduce replaceable licence AAC (*Forest Act*) but reductions should be measured and fair. Excess replaceable AAC reductions would unduly impact forest licences and could lead to litigation and/or compensation. Also, impacts to existing milling, etc. operations.
- More difficult for new entrants or those using historic non-replaceable volumes to access timber.

Partitions:

AAC partitions established by the Chief Forester are primarily intended to delineate higher value timber to ensure that it is sustainably managed for the long-term. If over-harvesting of a high value partition is a concern, the minister can issue a Partition Order that formally allocates the partition to licences.

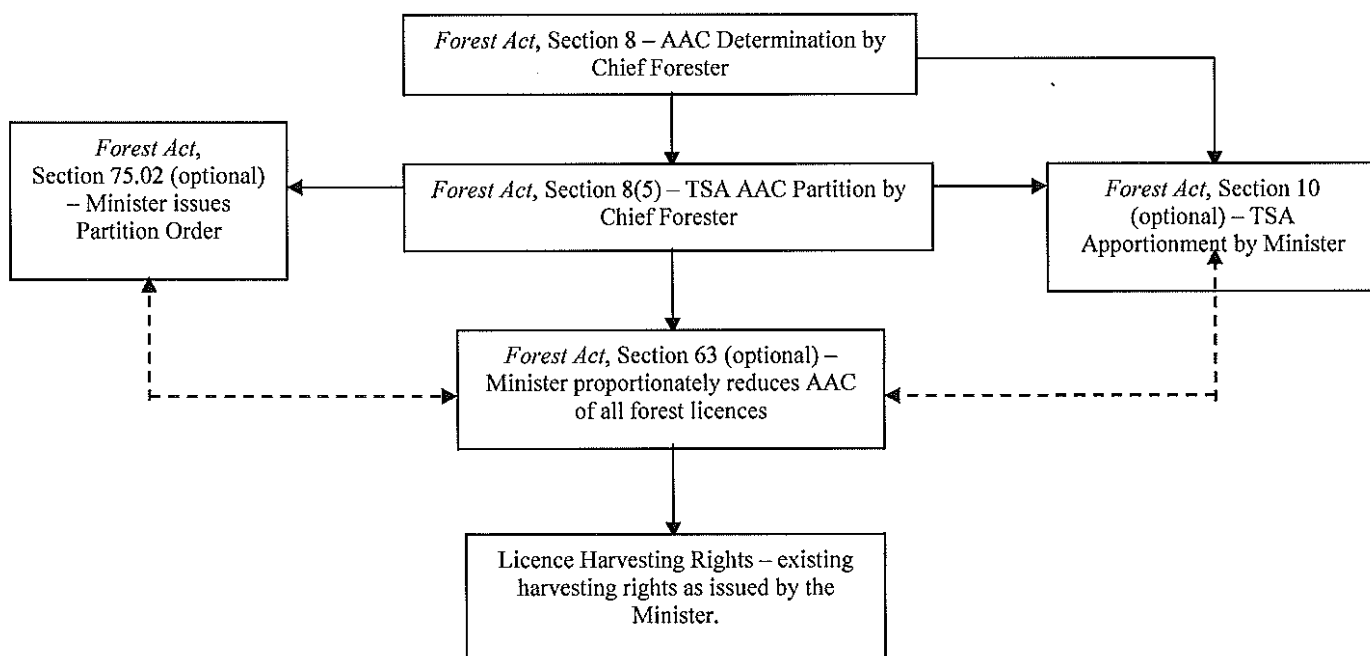
Partitions should not be used to provide tenure opportunities for specific types of timber or terrain in management units with a declining AAC (i.e. areas with low value timber that are not currently being utilized).

Roles/Responsibilities:

The roles and responsibilities of the chief forester and the minister are clearly defined in the *Forest Act*:

- Chief Forester – responsible for determining TSA AACs and for any AAC partitions (if required).
- Minister – responsible for apportioning TSA AACs, issuing AAC Partition Orders (if required) proportionately reducing forest licences, and replacing existing or entering into new agreements.

Decision Maker – AAC Management Flow Chart



Reference Materials:

The following references provide links to key legislation, regulation and policies related to declining timber supplies and AAC management.

- *Forest Act*, Sections 8, 8(5), 10, 58, 59.1, 63, 63.1 and 75.02
- Allowable Annual Cut Partitioning Guide
(<http://www.for.gov.bc.ca/hth/timber-tenures/aac-partitioning.htm>)
- Allowable Annual Cut Partition Regulation
- Apportionment and Proportionate Reduction Guidance in a Declining Timber Supply - New
- Guidance on Unused Volume Tracking and Dispositions
(<http://www.for.gov.bc.ca/hth/timber-tenures/cut-control.htm>)
- Strategy for Eliminating Interim Species Adjustment Factors
(<http://www.for.gov.bc.ca/hth/timber-tenures/cut-control.htm>)

For further information and detail please contact the Forest Tenures Branch.



Dave Peterson
Acting Deputy Minister

Attachments: Apportionment and Proportionate Reduction Guidance in a Declining Timber Supply