

South Island District Pilot Project Fibre Recovery Process



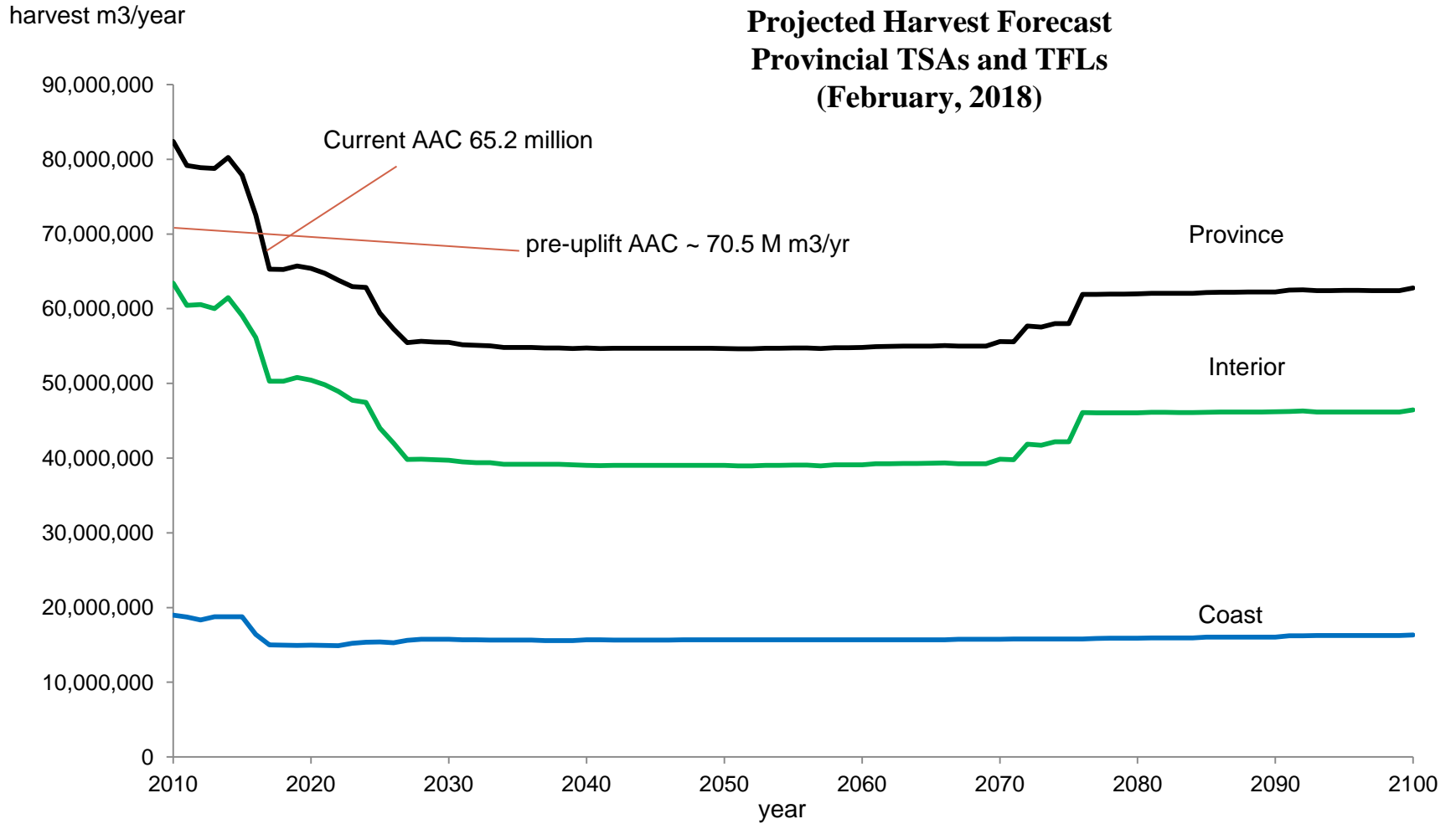
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Why increase utilization of Residual Fibre?

- Reduces CO₂ Emissions
- Improves Air Quality
- Improves opportunities for employment and local manufacturing (especially the pulp sector)
- Could mitigate future timber supply reductions

Future Timber Supply



What is the Fibre Recovery Process Pilot?

- Establish 'non formal' Fibre Recovery Zone(s) (FRZ) where residual fibre can be economically harvested and where demand exists
- Within the FRZ, encourage Business to Business agreements to use residual fibre
- Review results (after one year)
- Implement other tools if necessary

Fibre Recovery Zone (FRZ)

- Afternoon session review work completed by FPInnovations (mapping).
- Mapping is based on FPInnovations' Arrowsmith TSA Biomass Inventory (2018)
 - available biomass annual yields at various cost increments
 - Biomass costs start with material piled at roadside then grinding and transportation costs added
 - \$60/ ODT is considered economic
 - better sorting/ piling can increase yields (50 to 100%)
 - distance is variable – 40 to 70 km to point of delivery

Fibre Recovery Process (FRP)

- Led by the District Manager (DM) or Timber Sales Manager (TSM) to improve fibre utilization where it is economic and where demand exists.
- Encourages communication between primary harvesters (PH) and secondary users (SU) so that business to business relationships (B2B) lead to residual fibre being removed in the most cost effective way.
- If B2B doesn't work, legislative tools are available.

B2B Agreements

- SUs (pulp and paper mills) contact PHs (forest tenure holders) and negotiate agreements to remove and use the residual fibre.
- The PH has full discretion as to which SU(s) to do business with.
- The DM is not part of these discussions.
- Agreements should include sharing of operational plan locations/ timing/ harvest specs; SU fibre needs; logistics at strategic times.

How to Encourage B2B?

- Breakout discussion this afternoon.
- Potential Questions:
 - Who are all the SUs? What are their needs/ products?
 - How will we know when new SUs enter the market?
 - Who are the PHs?
 - How will SUs and PHs communicate?
 - What is the role of FLNRO to link PHs and SUs?
 - How will operational information be shared in a timely manner between PHs and SUs?

How can BCTS participate?

- Encourage B2B between TSL bidders and SUs.
- For TSLs advertised within a FRZ, notify that B2B will be encouraged to use residual fibre.
- SUs encouraged to enter into a B2B with the successful TSL bidder.
- If B2B does not lead to increased utilization other legislative tools available (phase II)

Why Business to Business?

- Represents market based approach
- Reduces hazard abatement obligations
- Allows for the integration fibre recovery at the strategic level
- Reduces administration on all parties
- Provides certainty
- Potential to lower costs through improved coordination
- More control over other licence obligations (road maintenance and deactivation)

Implementation

- DM will send an expectation letter to all tenure holders who have operations within the FRZ
- Expectation letter will include how and what information should be shared (and when)
- DM will monitor results during the year
 - Harvest Data/ Waste Survey data
 - Feedback from Secondary Users
 - Feedback from Primary Harvesters
- If B2B does not improve residual fibre utilization, additional tools are available

Phase II - Additional Legislative Tools

- The licence holder/ cutting permit (CP) holder has the rights to cut and remove all Crown timber within the permit area
- Where B2B can not lead to an arrangement, the DM may issue rights to the residual fibre but only through the formal provisions set out in S. 79.1

Phase II - 79.1 of the Forest Act

Allows the DM or TSM to:

- obtain information residual fibre volumes on current and future harvesting opportunities
- request PHs to declare their intent to use or abandon residuals
- issue Do Not Damage Orders (DND) for residual fibre PH does not intend to use
- allow PH to abandon residual fibre that is subject to a DND
- sets 60 day timeline for
 - ✦ PH not to deal with residual fibre without DM consent
 - ✦ For DM to deem PH's rights are abandoned
 - ✦ For DM to issue a fibre recovery tenure to remove fibre residual
- Orders can be rescinded

Fibre Recovery Tenures

Fibre Forestry Licence to Cut

- Short term opportunity for specific site (months)
- Direct awarded or competitive
- No volume limits

Fibre Supply Licence to Cut with cutting permits

- Terms up to 10 years for a geographic area
- Competitively awarded or direct to First Nation
- 1st right of refusal to any residual fibre abandoned

Fibre Recovery Tenures continued

- PH required to complete a waste assessment before issuance
- Grant rights to grind; chip and remove post harvest residual fibre from roadside and landing
- Works in conjunction with all forest tenure types
- Licence area restricted to roads and landings
- Security deposit requirements
- Does not grant right to cut timber (fall trees)

Phase II - Tenure Obligations

- Hazard abatement for roadside and landing residual fibre automatically transfers to holder of fibre recovery tenure upon issuance
- No impact on free-growing obligations
- Forest Planning and Practices Regulation speaks to road maintenance requirements outside licence area
- Licence can address road maintenance issues (and deactivation) within licence area
- Manage soil disturbance limits along roadside

Phase II - Future Regulation

- Specific methodology for PH to provide estimates of residual fibre
- Requirement for PH to handle residual fibre
- These provisions give additional flexibility to government if required in the future

Conclusion/ Next Steps

- Requesting cooperation to improve opportunities to utilize residual fibre
- Appreciate your feedback on establishing a Fibre Recovery Zone
- We want to promote business to business (B2B) to utilize residual fibre while the cutting permit (or Timber Sale Licence) is active
- Follow up will occur after this meeting

Questions?

