BY EMAIL

To: Regional Executive Directors
    District Resource Managers

From: Duncan Williams
      Executive Director, Tenures
      Tenures, Competitiveness and Innovation Division

Re: Guidance Document to Deal with the Two Available Options Regarding Overcut Carry Forward Volumes of Timber Harvested as a Result of Catastrophic Events on Woodlot Licences

Introduction

Some woodlot licences are in an overcut carry forward situation due to excess harvesting as a result of the Mountain Pine Beetle (MPB) attack or other catastrophic event. As a result, there is no allowable annual cut (AAC) available for harvesting until such time as the overcut carry forward volume has been addressed.

This document provides further guidance regarding the interpretation of, and application of, the September 22, 2009 memo entitled, “Guidance When Dealing with a Catastrophic Event Necessitating Increased Harvesting on Woodlot Licences” (see attached). The document is also intended to:

- Allow woodlot licensees a choice in how to deal with an overcut carry forward situation resulting from a previously authorized, rapid increase in the volume of timber harvested (VTH) as a result of a catastrophic event and return the woodlot licence to a sustainable harvest (AAC) level;

- Ensure annual rent, the fire preparedness levy and the Woodlot Product Development Council (WPDC) levy (known collectively as “the rents”) applicable to the harvested volumes are fully accounted for and collected; and

- Encourage efficient use of the resources of the Ministry of Forests, Lands and Natural Resource Operations and Ministry of Finance, and of woodlot licensees, while addressing mid-term timber supply (stewardship) issues.
The direction in this document should be used when a licensee has obtained authority to harvest at an accelerated rate via a Cut Control Limit Exemption (CCLE), also known as a Regional Manager’s Exemption (RME), harvested some or all of the allowed volume, and now faces a period of no harvesting due to carry forward provisions of the Forest Act, Section 75.7 (carry forward of excess harvest volume).

**Returning to a Sustainable AAC – General Procedures**

The following steps should be followed:

1. The district manager determines that the catastrophic event is over or close to being over and the need for a rapid harvesting of attacked or dead timber is finished.

2. The licensee chooses how to deal with the overcut carry forward volume of timber harvested. The options are:
   
   a) **Status quo** – allow the overcut carry forward volume to be addressed via the current and successive cut control periods using the normal provisions of the Forest Act; and if necessary, have a new sustainable AAC and MP determined for future operations; or
   
   b) **Reconciliation** – the overcut carry forward volumes are reconciled, all rents are paid, and a new sustainable AAC and MP are determined for future operations.

3. The district manager determines the impact of the catastrophic event and harvesting upon the previous inventory, and past efforts to keep the inventory up-to-date. A decision is made whether a new MP (including a re-inventory and AAC calculation) is required, what information is required, and the appropriate timeline.

Considerations include the magnitude of the CCLE (i.e. size of the overcut carry forward volume) and whether harvesting has significantly affected the current inventory and base AAC. If impacts are minimal, an immediate re-inventory, new AAC and new management plan (MP) may not be necessary. However, where impacts are significant, a new AAC will be required to ensure a new, sustainable level harvest level is set. In these cases, the overcut carry forward volume impact must be dealt with as the first step towards establishing a new AAC and creating an opportunity for limited, new harvesting.

4. If a new MP is needed, then:

   a) Licensee updates the inventory (if necessary);

   b) Licensee calculates a new AAC; and

   c) Licensee prepares a new MP (which includes the new inventory information and the proposed new AAC) and seeks approval from the district manager.
If a new MP is not needed, the current MP (including the current/base AAC) remains in effect until either the licensee proposes a new AAC and MP or the district manager requires a new AAC/new MP.

Returning to a Sustainable AAC – Detailed Procedures

For the Status Quo Option:

No immediate changes are required, the base (pre-beetle) AAC remains in place in FTA and decreases the overcut carry forward volume of timber harvested (VTH) each year. The rents continue to be invoiced yearly using the base AAC.

When sufficient years have passed, the overcut carry forward VTH will be reduced by the sum of the base AAC. Depending on the size of the overcut carry forward, and the size of the base AAC, this could take several years or cut control periods.

It is important that the reduction of the overcut carry forward volume is completed prior to any new AAC being entered into FTA. Entering a new (usually lower) AAC prior to the completion of the reduction extends the time period of little or no harvesting opportunity. In other words, when following the status quo option, a new MP with updated AAC should not be completed until the overcut volume equals zero, unless other forest management reasons appear during this time period.

For the Reconciliation Option – Choosing to Reconcile within One Year of a Cut Control Period

The following procedures apply:

1. The licensee and the district manager (using Paragraph 5.02 of the woodlot licence agreement document for guidance) determines whether a new MP is required by considering the:
   a) status and accuracy of the current inventory of standing green timber (coniferous and, if applicable, deciduous);
   b) status of reforestation obligations/achievement of free-growing stands (RESULTS or other acceptable records);
   c) need for new inventory on the remaining attacked stands, giving consideration to any available secondary structure of the stands; and
   d) a timeline for the completion of the re-inventory and submission of the new MP.

2. A new AAC is calculated by the licensee that has the following components:
   a) The current or new inventory, as decided in (1.) above;
b) The volume of timber harvested under the CCLE or the RME, obtained from the Harvest Billing System (HBS); and

c) Note: see the MP template available at http://www.for.gov.bc.ca/hth/woodlots/wl-stand-management.htm.

3. The new proposed AAC will consist of one number, which is made up of two components:

a) A forward looking, sustainable, operational AAC, projected over the next 250 years using the latest version of Woodlot for Windows (or other equivalent model); and

b) A one-time, one-year, current, catastrophic AAC, which is equal to the VTH in excess of the sum of the AACs from the previous CCP(s).

4. The new, total AAC—as part of a new MP—is submitted to the district manager for approval.

5. The district manager determines if the new AAC is acceptable, and, if so, approves the MP.

Note: the above procedure assumes that the harvesting takes place in one CCP and then that the calculation occurs in the first year of the next (second) CCP. If the calculation takes place later in the next (second) CCP, then one (or more) year(s) of the base (pre-beetle) AAC must be deducted from the VTH to obtain the one-time catastrophic AAC.

6. FTA is updated to reflect the new total AAC. The rents are then invoiced by the Ministry of Forests, Lands and Natural Resource Operations.

7. This new invoice is to be paid in a one-time, lump sum and it is to be paid within 21 days of the issue of the invoice to the Ministry of Finance. It cannot be spread out over several years of a CCP.

8. Upon full payment of the invoice, the catastrophic AAC component will no longer be applicable (i.e., it will be considered as “spent”) and only the forward looking, sustainable operational AAC component will be available for harvest.

9. FTA will again be updated to reflect only the sustainable, operational AAC available for harvest and the rents will then reflect this change in the next billing year.

Note: if this option is chosen, it is important that the sequence shown above is followed. It is important that the reconciliation of the overcut carry forward volume is completed prior to the new AAC being entered into FTA. Entering the new (usually lower) AAC prior to the completion of the reconciliation extends the time period of reconciliation.
Independent Advice

It is strongly recommended that woodlot licensees obtain independent advice when considering which of the two options to choose. Each option may have significant effects on items such as:

- cash flow;
- opportunity to return to harvesting in the short or mid-term;
  
  o compare the advantages and disadvantages of an immediate return to harvesting versus delaying harvesting to increase the standing timber volume;
- income tax situation;
- funds available for the conducting of re-inventories;
- funds available for the achievement of free-growing stands on harvested areas; and
- other aspects of woodlot management.

Each option has advantages and disadvantages, and it is up to each individual licence holder to consider how each option will affect their management of their woodlot licence.

If there are any questions, please contact Dave Haley, Woodlot Licence Forester, Forest Tenures Branch, at (250) 746-1448.

Duncan Williams
Executive Director, Tenures
Tenures, Competitiveness and Innovation Division

Attachment(s): September 22, 2009 memo entitled, "Guidance When Dealing with a Catastrophic Event Necessitating Increased Harvesting on Woodlot Licences

cc: Brian McNaughton, General Manager, Federation of BC Woodlot Associations
    Doug Stewart, Director, Forest Tenures Branch
    Dave Haley, Woodlot Licence Forester, Forest Tenures Branch

1 In the memorandum, catastrophic event means mountain pine beetle epidemic, wildfire, or other event which dramatically changed the inventory of green, standing timber.