



Update: Forest Sector Competitiveness Strategy

June 2015



Key Strategic Context:

- Forest sector in BC a mature, stable sector
- Market diversification and sector's stability enabled it to withstand and improve outlook during 2009 downturn
- That stability enabled investments by BC forest companies to be made in other areas (eg. Southern US)
- Significant desire to see continued investment in BC and maintenance of employment in light of mechanization and projected rationalization
- Reductions in timber supply in the Interior pose a significant challenge
- Significant opportunity on the Coast to increase harvest to actual Allowable Annual Cut
- Industry seeking continued focus on cost containment/reductions to maintain competitiveness
- Government has opportunity to pull certain levers on competitiveness to lead this work





Provincial Recognition of Factors Surrounding Forest Sector Competitiveness:

- Ongoing value and importance of BC's forest sector
- Need to ensure BC represents a desirable jurisdiction for further capital investment
- Industry's need for competitiveness in light of fibre supply challenges, land base access and certainty, global economic trends, markets.
- Differing circumstances for BC's Coast and Interior Industries:
 - transitioning for old growth to second growth on the Coast
 - declining timber supply post-beetle and projected mill rationalization in the interior



Recent Government Focus on Forest Sector Competitiveness

- Establishment of Forest Sector Competitiveness Steering Committee – Dec 2014
 - senior leadership from government and industry
 - focused on economics of the industry and key priorities to drive competitiveness
- Highlighted in the 2015 Throne & Budget Speeches
- March 2015 - Government affirmed a vision and overall strategic goals for competitiveness for the forest sector in BC.
- Public announcement by Minister Thomson at COFI Conference – March 2015
- Alignment with BC Business Council recent focus on Forest Sector



Government's Vision for Forest Sector Competitiveness

Government seeks to:

- 1) Maintain/enhance BC's forest industry
- 2) Maximize job creation/maintenance and community stability
- 3) Extract maximum value from the forest resource.


Three key opportunities for BC's forest sector that should be advanced in light of those goals:

- to realize full AAC potential on the Coast (close the gap between AAC & harvest)
- to generate products & maximum value from harvest residuals
- to increase the value added from the sector.

Government is prepared to take significant actions to improve competitiveness, as long as these 3 key opportunities are advanced.

Next Steps: Direction from government necessitates a broadened strategy approach to Forest Sector Competitiveness.

Vision: Forest Sector Competitiveness



British Columbia has a vibrant, sustainable, globally competitive forest industry that provides significant benefits for current and future generations and for strong communities.

This vision delivered in 6 key themes:

- 1. Reliable and Sustainable Timber Supply**
- 2. Competitive Industry Hosting Conditions**
- 3. Improve Certainty around Land Base**
- 4. Market Access and Growth for Forest Products**
- 5. Driving Innovation and Diversification**
- 6. Rural Community Stability**

Vision: Forest Sector Competitiveness

1. Reliable and Sustaining Timber Supply

This theme will be advanced by:

- Targeting investments in forest growth (silviculture)
- Improving resource inventories
- Enhancing the use of residual fibre
- Wildfire prevention and management
- Manage risk around future climate uncertainty
- Invasive species management



Vision: Forest Sector Competitiveness

2. Competitive Industry Hosting Conditions

This theme will be advanced by:

- Economic basis for understanding competitiveness (work of Forest Competitiveness Steering Committee)
 - Developing dashboard of indicators for tracking competitiveness over time
 - Identifying key drivers of competitiveness
 - Recommending longer priority actions based on economic analysis
- Timber pricing that represents fair market value
- Seeking to reduce unnecessary costs and more efficient regulation
- Increasing BCTS Effectiveness Assessment
- Assessment of competitiveness drivers outside of FLNR (municipal taxation, innovation incentives, transportation policy)
- Pulp and paper sector sustainability



Vision: Forest Sector Competitiveness

3. Improve Certainty around Land Base

This theme will be advanced by:

- Enhancing First Nations' role in forest sector
- Business continuity in light of redefined relationships with First Nations
- Implementing a BC Strategy for Species at Risk and wildlife management initiatives
- Optimizing the timber land base, through improved integrated management for multiple values



Vision: Forest Sector Competitiveness

4. Market Access and Growth for Forest Products

This theme will be advanced by:

- Working with MIT, FII on expanding offshore markets through trade missions and targeted market analysis
- Favourable International Trade Agreements
- Expanding North American non-residential lumber use
- Communicating environmental and social benefits of BC's forest management regime
- Revising Building Codes and Standards
- Wood First promotion



Vision: Forest Sector Competitiveness

5. Driving Innovation and Diversification

This theme will be advanced by:

- Innovation approach for the Forest Sector (with FPInnovations)
- Increasing value generated
- Developing bio-economy strategies (within Innovation approach)



Vision: Forest Sector Competitiveness

6. Rural Community Transition and Stability

This theme will be advanced by:

- Post pine beetle Interior transition strategy
- Transition from old growth to second growth Coast strategy
- Engaging rural communities and stakeholders; forest sector relevance and social license





Strategy Expansion Critical Path

Phase 1: April-July 2015

- **Continue work of Forest Competitiveness Steering Committee** focused on economic analysis and short term priority actions; leading work through completion.
- **Continue to advance specific FLNR deliverables contained within larger competitiveness strategy** including pulp and paper sector economics, residual fibre utilization, value added strategy (includes broader stakeholder consultation on specific projects).
- **Internal consultation to confirm deliverables**, including development of overall workplan, consultation and communication plan



Strategy Expansion Critical Path

Phase 2: July-October 2015

- **Targeted stakeholder engagement** on larger strategy and vision.
- **Continue implementation of short term actions** (Steering Committee - economic priorities and strategy sub theme actions)
- **Internal government scoping of broader options for competitiveness** (based on Economic Analysis).

Phase 3: Fall 2015

- **Report back** to Government on progress and direction on future focuses.

Phase 4: Winter 2015-16

- **Incremental policy development** (eg. development of focused policy work for the Coast and Interior) and **public release** of broader strategy.

Scoping Diagram: Forest Sector Competitiveness Vision Themes and Key Initiatives - June 4, 2015

| 1. Reliable & Sustainable Timber Supply | 2. Competitive Industry Hosting Conditions | 3. Improve Certainty around Land Base | 4. Market Access & Growth for Forest Products | 5. Driving Innovation and Diversification | 6. Rural Community Transition and Stability |
|---|--|--|--|---|--|
| <p>Protection/Improvements on what we do have; maximizing use and increasing future yields:</p> <ul style="list-style-type: none"> • Targeting investments in forest growth (silviculture) – RSD (TOPFN) • Improving resource inventories – RSD (TOPFN) • Enhancing the use of residual fibre – TCI (TOPFN) • Wildfire prevention and management - IROD • Managing risk regarding future climate uncertainty – TCI (RSD, ENV) • Invasive species management – RSD (ENV) | <p>Cost and Competitiveness Assessments for the Sector:</p> <ul style="list-style-type: none"> • Developing dashboard of indicators for tracking competitiveness over time - TCI • Identifying key drivers of competitiveness - TCI • Recommending longer priority actions based on economic analysis – TCI (TOPFN) • Timber pricing that represents fair market value- TOPFN • Seeking to reduce unnecessary costs and more efficient regulation - TCI (TOPFN, RSD, Areas) • Increasing BCTS Effectiveness – TOPFN (TCI) • Assessment of competitiveness drivers outside FLNR –TCI (CSCD, FIN, MoTI) • Pulp and Paper sector sustainability – TCI (MEM) | <p>Move the dial on First Nations and stewardship to ensure strong engagement, sustainability and clear management regime:</p> <ul style="list-style-type: none"> • Enhancing First Nations' role in forest sector – TOPFN (TCI) • Business continuity in light of redefined relationships with First Nations – TOPFN (Areas, TCI, MARR) • Implementing a BC Strategy for Species at Risk and wildlife management initiatives – RSD (Areas, ENV) • Optimizing the timber land base, through improved integrated management for multiple values – RSD | <p>Maximizing market access for increasing demand:</p> <ul style="list-style-type: none"> • Working with MIT, FII on expanding offshore markets through trade missions and targeted market analysis – FII (TCI, MIT) • Favourable International Trade Arrangements – TOPFN (MIT) • Expanding North American non-residential lumber use - FII • Communicating environmental and social benefits of BC's forest management regime - FII • Revising Building Codes and Standards – Housing (CSCD, JTST) • Wood First promotion – FII (JTST) | <p>Targeted efforts at driving the next wave of innovation:</p> <ul style="list-style-type: none"> • Innovation approach for the Forest Sector (with FPInnovations) – TCI (MTICS, FPI) • Increasing value generated – TCI (JTST, MIT, FII, FPI) • Developing bio-economy strategies – TCI (FPI, MTICS) | <p>Focused efforts for engaging communities focused generally around the two industries: Coast and Interior</p> <ul style="list-style-type: none"> • Post pine beetle Interior transition strategy – TCI (RSD, TOPFN, Areas, JTST, CSCD) • Transition from old growth to second growth coast strategy – TCI (TOPFN, Coast) • Engaging rural communities and stakeholders; forest sector relevance and social license – TCI (Rural Advisory Council) |

Legend: -- new initiative to be developed -- underway as part of FSC Steering Committee priorities -- underway as a defined/focused initiative – ongoing program/policy work