



April 1, 2019

I'm writing to advise you of important new initiatives our government is introducing to support British Columbia's forest sector. Our goal is to collaborate with industry and key stakeholders to confront long-standing challenges and facilitate a forest sector transformation that generates jobs and prosperity — a transformation based on extracting maximum value, rather than maximum volume.

We are aware that British Columbia's forest industry is central to our economy, supporting more than 50,000 high-wage harvesting, manufacturing and exporting jobs. In 2018-19, your industry contributed \$1.2 billion in government revenue. Your companies are the economic anchor of 140 operating communities, producing renewable building materials that are in demand around the globe.

Over the past few months, you have told me that business conditions are deteriorating. Fibre costs have been rising, lumber prices falling and beetle harvests declining, while new habitat protections and other deferrals are reducing access to the timber supply. Government and industry have known for many years that a turning point was coming, when Interior manufacturing capacity would exceed a timber supply depleted by wildfire and mountain pine beetle. Without intervention, your industry would be unable to support First Nations partnership interests or sustain the robust industry employment, company shareholder and investor expectations, as well as government revenue, which has supported communities and public services throughout B.C. for generations.

While the challenges we face are unprecedented, they are neither unanticipated nor insurmountable.

Half a century ago, forest sector pioneers created an industry to utilize our Interior forest resources that had long been viewed as "weed species." Decades later, when the scale of mountain pine beetle impacts on the timber supply became apparent, the industry built supermills to process the short-term increase in timber of limited shelf-life. When unfair restrictions on softwood lumber trade limited access to the U.S. market, companies developed markets for \$4.2 billion in annual lumber trade with China that effectively kept the industry viable during the difficult years following the U.S. housing market collapse of 2008.

.../2

**Office of the
Premier**

Web Site:
www.gov.bc.ca

Mailing Address:
PO Box 9041 Stn Prov Govt
Victoria BC V8W 9E1

Location:
Parliament Buildings
Victoria

In short, your sector has consistently demonstrated the ability to innovate and adapt.

Thirty years of land-use planning has created parks and other protected areas now representing 15.3 per cent of our land base – an accomplishment that remains unmatched across Canada. Combined with habitat and other deferrals, more than 52 per cent of the land base is now affected by some level of constraint, which limits harvest planning and the ability of companies and First Nations to develop new and mutually beneficial business relationships.

Despite these challenges, the forest sector continues to demonstrate leadership in two areas that are crucial to our economic future: reconciliation and environmental sustainability. The complex partnerships forged between the industry and many Indigenous communities have demonstrated that greater economic security is best achieved through negotiation, rather than litigation. Similarly, the sector is a champion of sustainable economic development, and holds great promise in our efforts to combat climate change, including the achievement of our CleanBC objectives to reduce B.C.'s greenhouse gas emissions.

I'm confident in our ability to transform the industry to meet today's challenges. We will not move forward by pointing fingers or rehashing old controversies. We must find a new way forward, a new vision for a competitive forest sector that will inspire your companies to make new investment. This will require collaboration and innovation.

First, beginning this spring, government will begin engagement on a renewed forest policy in the B.C. Interior. We will also be moving forward with updates to the *Forest and Range Practices Act*, and with modernized land use planning, providing the opportunity to maximize efficiency in the use of our land base, accommodate current local land use interests and support a transition toward higher-value products.

Second, quite apart from our forest policy efforts, I believe we need to seize the opportunity to bring willing forest companies, First Nations, labour and communities together in individual Timber Supply Area (TSA) processes to develop a positive and forward-looking vision for industry competitiveness. That vision would seek to maximize the potential of the mid-term timber supply, collaboratively manage constraints on the land base, maintain employment and community economic stability and incorporate First Nations interests while contributing to a healthy B.C. economy.

Rather than a top-down solution, I am inviting you to come together and establish local coalitions of industry, First Nations, labour and community leaders to engage in collaborative planning across Timber Supply Areas (TSA). Where this local commitment emerges, my government will support a facilitated planning process, provide capacity support for participation by First Nations leaders and provide analytical resources to assist in developing an inclusive, viable and implementable TSA-level vision for industry competitiveness and community economic stability. We expect this vision will incorporate First Nations' interests and address the economic, cultural, recreational, social and other uses of the land base.

There is nothing easy about change and renewal, but this is an opportunity to act in common purpose, to build the future we all want: a competitive industry with opportunities for local workers, real partnerships for First Nations and security for forest-dependent communities - an industry that maximizes value rather than relies on volume.

In some areas, this transition has already begun. Some companies are already increasing the value of dimension lumber by using it to make engineered products such as cross-laminated timber. Others are working toward producing renewable natural gas and bio-crude oils from wood waste or are converting the wood waste that remains after harvesting and manufacturing into renewable energy and next-generation pulp products to supply fast-growing global demand.

Finally, my government recognizes that engineered and other high-value wood products will be necessary for shifting B.C.'s forest sector into the next phase of global competitiveness. We're putting the power of our procurement behind this transition. Earlier this month, budget letters to all B.C. ministries and Crown agencies established a requirement that government building projects must incorporate full life cycle analysis, minimize greenhouse gas emissions, consider wood as the primary building material, provide a description of the use of wood in the project business case. I have also requested an evaluation of the potential to use mass timber construction in upcoming major capital construction and will make related announcements in the near term.

Earlier this month, I announced early adoption of the Encapsulated Mass Timber building code standard, which will support mass timber construction, encapsulated in a non-flammable material, of up to 12 storeys. I believe this step will help drive demand for new high-value engineered lumber products.

I am prepared to assign senior government leadership and high-level facilitation resources to develop our path forward. I would expect a similar commitment to sustained senior management participation from companies and locally based coalitions that want to engage in collaborative planning.

We British Columbians can be extremely proud of our environmental track record and the benchmarks that have been set through earlier cycles of land-use planning. We are also proud to have tens of thousands of hard-working men and women employed in one of the world's greenest industries, making products that reduce greenhouse gas intensity while growing our economy.

It is time to bring focus and leadership to maintaining industry competitiveness. We look forward to working with you.

Sincerely,



John Horgan
Premier

cc: Honourable Doug Donaldson
Minister of Forests, Lands, Natural Resource Operations and Rural Development