

**February 5, 2020**

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Submitted Online Via the [Environmental Registry of Ontario \(EBR\)](#)

**Re: Support for Ontario's Forest Sector Strategy, ERO# 019-0880**

Dear Mr. Maure,

As the President of three forest product companies (White River Forest Products Limited Partnership, Hornepayne Lumber Limited Partnership, Hornepayne Power Inc) in North Central Ontario, I like to thank you for the opportunity to comment on *Ontario's Forest Sector Strategy*, Environmental Registry of Ontario number 019-0880. The strategy is long overdue and we commend the government for taking on the initiative. We support the government and would like to offer a few comments. We have collated these comments according to the sections in the Strategy.

### **Putting More Wood to Work**

#### **Inventory**

We are glad that the Ministry sees one of the first steps of putting more wood to work is a better understanding of the forest resource. Investing in the latest form of Lidar is a good next step. We also encourage the government to support other technology. With the latest sensors and the use of drones and manned aircraft we have the capacity to produce more regular and accurate inventories. We are currently planning with inventories that are older than 20 years. The objective should be to have a forest inventory program that is dynamic and at most 5 years old. It also should have the capacity to produce terrain models with 1 metre accuracies and be able to do single tree identification. An inventory of that caliber will produce better forest management plans, better harvest plans and provide a solid base to justify capital investment.

#### **Removing the Barriers**

We are inspired by the work the Ministry has done in recent months. I know some of the recent proposed changes that have been posted to the EBR are a great start and will reduce the number of permits and approvals required. We can and should go further. For instance, the proposed changes in the Annual Work Schedule are a good example of reducing the red tape and approvals before a harvest operations begins. However, there are still several other unnecessary additional approvals required before a company can harvest wood in an approved plan.

We also encourage you to establish an Independent Ombudsmen to oversee the progress and to rule on disputes with regards to implementation of policies and guidelines. The Ombudsmen would also report on the progress of removing barriers.

## **Providing Wood Supply Certainty and Attracting New Investment**

The government has several tools under the Crown Forest Sustainability Act to provide Wood Supply Certainty. For those tools to be effective, require you to either hold the Sustainable Forest Licence or be a shareholder in the company that holds the Licence. If neither of those options are possible, then there are no tools under the Act that provide Wood Supply Certainty. I believe there are both legislative changes and non-legislative changes that could be executed to provide additional tools for the government to achieve their objective of providing Wood Supply Certainty. I believe with some minor changes to Section 25 of the Act (Supply Agreements), this section could become an additional tool that provides certainty. A non-legislation solution would be the development of long term contracts between the crown and potential consumers to supply wood.

## **Future Action Items**

### **Harvesting our Sustainable, Available Wood Supply**

We are encouraged by the government attempting to harvest the present sustainable Wood Supply. We also understand that there will be others that will not be supportive but they normally have agendas other than managing the forest properly and creating economic wealth. Ideally I believe the government should be looking to grow the sustainable wood supply. Putting efforts into the other Future Action items will assist you with this objective.

We also support the establishment of targets but progress towards those targets need to be continually measured and reviewed at a Senior Level.

## **Improving our Cost Competitiveness**

### **Initial Areas of Action**

#### **Reducing Energy Cost**

We encourage the government to establish programs to maintain or reduce the cost of energy for the industry. The province attracted a large portion of the existing industry because it had a cost competitive energy supply. For most Forest Products Industries, next to fibre cost, energy cost is the next largest cost centre. Therefore to remain competitive the industry needs competitively priced electricity.

The government may also wish to explore providing even cheaper energy for new entrants or for expansion of existing facilities to encourage investment into Ontario. This could be done by providing contracts for 5 years at fixed prices which are at or below that of other jurisdictions that are competing for the same investment.

#### **Maximize the Use of By-products to Fight Climate Change**

This is an excellent idea and one the forest industry has been doing for a long time. Collectively the industry is very integrated. What is not used by one facility is sold to another. This is especially true of the by-products. Facilities generally burn their by-products to generate heat, electricity or steam or sell them to someone who presently does that. Once a tree is harvested

and put on a truck the forest industry does a great job at maximizing the potential of all parts of that tree.

I encourage the Ministry to have further dialogue with the Ministry of Energy to ensure that the existing Purchase Power Agreements are extended. If they are not extended, provincially we will be taking a step backwards in achieving this objective.

To increase the consumption of Bio-fibre, the government should look at their stumpage system as it is sometimes the barrier to greater consumption. At present, the stumpage rate to move bio-fibre from the forest, is often the tipping point in making it uneconomical. Even though removing the Bio-fibre from the forest is a better environment action and assists in the fight to reduce carbon, the economics of the operation does not make sense. A reduction in, or in some cases elimination of the rate, may be a better decision for the people of Ontario.

### **Taxes**

We appreciate your initial steps and look forward to exploring other options to eliminate non-competitive tax related items.

### **Making Strategic Investments in Forest Access Roads**

We are pleased to hear the government is committing to sharing the cost to maintain the provinces crown land road systems. This road system provides for a myriad of interests. We also believe the Roads Program, as presently set up, provides the government a cost effective way to spend those dollars.

### **Review certain Stumpage Components**

As mentioned earlier the present stumpage system is sometimes a barrier to the movement of Bio-Fibre for energy.

In addition to the Stumpage Components we should also look at how we measure wood. There has not been a change in how we measure wood since we went from bush scaling to weighing trucks at the mill. There is new technology out there to achieve this purpose in a fair and equitable manner. In other parts of the North America weighing trucks has been replaced with full log truck scanners. This is just one example of new technology already in place elsewhere.

### **Reducing, Regulatory Burden /Streamlining**

We know you have begun a process to do this, which is great, however government but will need to put additional effort to get this across the finish line. Some of these processes have been around a long time and change will not be easy.

### **FOSTERING INNOVATION, MARKETS AND TALENT**

I was also happy to hear your continued commitment to have a support program for the Forest Industry. We will be exploring the requirements and will take advantage of the program if we have a project that may be eligible.

I was also happy to see that one of the initiatives under innovation is tackling the trucking problem. Even though your action will help, it does not get at the heart of the problem for the immediate future. Presently, insurance and the ability to raise capital are both barriers for young individuals to either get into the profession or the business.

With regards to the existing Softwood Lumber challenge I am asking the government to establish an Ontario Commercial Loan Guarantee Program (OCLGP). The purpose of the program would be to support Ontario producers with working capital. This is our fifth lumber trade dispute with the United States. The tactic of prolonged litigation and the collection of unjust illegal tariffs starves Ontario lumber producers of their cash. Today, Ontario lumber producers have approximately \$245 million in duties collected. This is money that could have been used to keep mills open and people working.

## **PROMOTING STEWARDSHIP AND SUSTAINABILITY**

### **Initial Areas for Action**

The government has identified a series of Action items. Government has done a good job of this in the past and I believe you will continue down that same path.

### **Future Action Items**

The government has identified several actions that relate to Climate Change. I believe the government could go further and use forest management and the production of forest products as a major tool in sequestering carbon and dealing with climate change. The forest has huge potential to store more carbon. Also the more forest products we make and the longer they stay in use the greater amount of carbon we store.

Even though the majority of forest cover in Ontario is found on Crown Land there still is a significant amount of private land that already supports a forest cover or could potential support a forest cover. I am suggesting the government explore better tax incentives for managed forest land or assist landowners to secure carbon credits. I believe this would encourage land owners to get into afforestation or to actively manage existing private forest.

## **THE ROAD AHEAD**

### **Working with Indigenous Communities**

The companies I represent, I believe are leaders in working with Indigenous Communities. The local First Nations in most cases are our business partners. We would love to share with you how we have worked with the various communities.

Even though we have done our part to work with the various communities in our wood shed we find our wood basket being negatively impacted both on volume and cost. Negotiations between the two levels of government (Federal and Provincial) and Aboriginal communities around land claim appears to be the root cause. We understand this is a negotiation between nations and we cannot be at the table. Our concern is, this could be the greatest threat to our wood supply. The government needs to develop a process that is more transparent and actively engages all those that maybe impacted by these decisions.

We believe collaborate solutions are the best decisions. Using a suite of solutions such as revenue sharing, joint management decisions and job creation can be applied to achieve broader objective.

## Advisory Committee

I see this as a critical step to making the Strategy effective. I believe the group should be made up of people who have an intimate understanding of the Industry. They need to know what it needs to function and grow and how decisions are made and executed. Normally this comes with someone who has been in both the operational and management part of the business. Members of this committee need to be able to provide suggestions to the Minister and the Ministry that can be implemented. This committee should be struck immediately.

In closing, the forest sector is an important part of Ontario's history and critical to the future of our business and the communities in our wood shed. I would like to thank the Ontario Government and the MNR for their leadership on this file and look forward to reviewing the finalized strategy.

Sincerely,

Signed by R. Groves on behalf of

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