Log Supply Challenges on the BC Coast

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Presentation Outline

- BC’s Forests
- BC’s Forest Industry
- Coast Forestry Industry Challenges
- Addressing these Challenges
- Harvest Projections
- Conclusions
British Columbia’s Forests

B.C. has significant forest resources.

TOTAL AREA OF B.C.
95 MILLION HECTARES

FORESTED LAND BASE
60% OF TOTAL

LAND AVAILABLE FOR TIMBER HARVESTING
21% OF TOTAL

ANNUAL AREA HARVESTED
0.2% OF TOTAL
British Columbia’s Forests

Ownership
- Crown Land
- Private Land
- Nisga’a Lands
- Tsilquot’in Area

B.C. Forests are publicly owned.
British Columbia’s Forest Industry

- Comprised of forestry, logging, wood products and paper manufacturing.
- Important part of BC’s economic base.
- Supports 54,100 direct jobs and significant government revenue

B.C. Forest Sector by Industry

- Wood product manufacturing, 48%
- Pulp and paper manufacturing, 16%
- Forestry & logging, 26%
- Support Activities for forestry*, 10%

Source: Statistics Canada
Ministry of Forests, Lands, Natural Resource Operations and Rural Development

- Wood products had $12.6B in manufacturing sales, with sawmills accounting for $6.8B
- Pulp/paper manufacturing had $5.8B in sales, with $3.6B from pulp sales.

Source: Statistics Canada

British Columbia’s Forest Industry

Total Export Value

- YTD Value (bars), C$ Billions
- Monthly Value (lines), C$ Billions


Source: Statistics Canada
# British Columbia’s Coast Forests

## The Resource

<table>
<thead>
<tr>
<th>Category</th>
<th>Coast Area in Millions of ha</th>
<th>Total Coast Live Volume Billions of Cubic Meters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forested</td>
<td>9.13</td>
<td>3.01</td>
</tr>
<tr>
<td>Crown Forested</td>
<td>8.02</td>
<td>2.87</td>
</tr>
<tr>
<td>Legally Harvestable</td>
<td>5.62</td>
<td>1.85</td>
</tr>
<tr>
<td>THLB</td>
<td>2.59</td>
<td>0.86</td>
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</tbody>
</table>
British Columbia’s Coast Forests

B.C. Coast Harvest Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Crown Land</th>
<th>Private/Federal Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3.3</td>
<td>7.9</td>
</tr>
<tr>
<td>2010</td>
<td>4.2</td>
<td>12.3</td>
</tr>
<tr>
<td>2011</td>
<td>5.2</td>
<td>14.2</td>
</tr>
<tr>
<td>2012</td>
<td>4.1</td>
<td>14.3</td>
</tr>
<tr>
<td>2013</td>
<td>5.1</td>
<td>15.1</td>
</tr>
<tr>
<td>2014</td>
<td>5.4</td>
<td>13.9</td>
</tr>
<tr>
<td>2015</td>
<td>4.7</td>
<td>13.1</td>
</tr>
<tr>
<td>2016</td>
<td>5.1</td>
<td>13.2</td>
</tr>
<tr>
<td>2017</td>
<td>5.0</td>
<td>11.6</td>
</tr>
<tr>
<td>2018</td>
<td>5.5</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: Harvest Billing System
## British Columbia’s Coast Forest Industry Trends

Over the last ~ 15 years, the Coast has experienced:

<table>
<thead>
<tr>
<th>Factor</th>
<th>2003</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct jobs</td>
<td>43,800</td>
<td>25,800</td>
<td>-41%</td>
</tr>
<tr>
<td>Lumber production</td>
<td>2.5 Bbf</td>
<td>1.4 Bbf</td>
<td>-44%</td>
</tr>
<tr>
<td>Pulp production</td>
<td>3.7 M tonnes</td>
<td>1.8 M tonnes</td>
<td>-51%</td>
</tr>
<tr>
<td>Crown log exports</td>
<td>1.5 Mm³</td>
<td>2.7 Mm³</td>
<td>+80%</td>
</tr>
</tbody>
</table>
British Columbia’s Coast Forest Industry Challenges

- Labor Climate
- Rugged Terrain
- Low Value Species
- Waste Levels
- Softwood Lumber Tariff
- First Nations Consultation & Accommodation
- Land Withdrawals
Coast Forest Industry

Labour Climate

2019 Coast AAC Distribution

<table>
<thead>
<tr>
<th>Company</th>
<th>AAC Distribution (Mm³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>5.0</td>
</tr>
<tr>
<td>Other</td>
<td>3.9</td>
</tr>
<tr>
<td>BCTS</td>
<td>2.9</td>
</tr>
<tr>
<td>Interfor</td>
<td>1.7</td>
</tr>
<tr>
<td>Timberwest</td>
<td>0.7</td>
</tr>
<tr>
<td>Teal Cedar</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total Coast</strong></td>
<td><strong>14.9</strong></td>
</tr>
</tbody>
</table>

Source: BC Provincial Government AAC apportionment commitment reports

8Mm³ – millions of cubit meters
Coast Forest Industry

Steep Slopes
Coast Forest Industry Challenges

Coastal Harvest 2011 to 2019

Percentage Area Harvested by Slope Class

- Conventional
- Steep Slopes
Coast Forest Industry Challenges
Low value species

Harvest Profile for 2018 B.C. Coast
(18.0 mil. m$^3$)
- Hemlock, 35%
- Douglas Fir, 30%
- Red Cedar, 17%
- Balsam, 12%
- Other, 7%

Inventory Profile for 2018 B.C. Coast
- Hemlock, 37%
- Douglas Fir, 18%
- Red Cedar, 14%
- Balsam, 16%
- Other, 16%
Coast Forest Industry Challenges

Waste Levels

“Avoidable waste” has increased from ~4% of stand volume to ~16% in the past 15 years due to the economics of removing this lower grade fiber.

Softwood Lumber Tariffs

An issue primarily on cedar lumber which is largely shipped to the USA and is of high value.
Coast Forest Industry Challenges

United Nations Declaration on the Rights of Indigenous Peoples

First Nations Consultation & Accommodation
Coast Forest Industry Issues

Land Base Pressures
Coast Forest Industry Challenges

Addressing these challenges

• Tenure transfers – public interest test
• Encouraging domestic consumption of timber
• Encouraging establishment of new users of fibre and producers of higher value products
• Establishing Fibre Recovery Zones
• Changing how the fees companies pay to harvest on crown land are determined
Conclusions

- BC has significant forest resources that are largely publicly owned.
- While the forest resource is large, only a portion of the is available land base is currently economic.
- Coastal harvesting operations face a significant number of challenges.
- The BC Government is attempting to address some of those challenges through policy changes.
- Harvest is expected to remain well below allowable levels for the coming year with modest improvement thereafter.
Questions?