



Public Notice

Regional Economic Development **UPDATE**

Forestry Sector

June 11, 2018

Need more information?

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www.NorthernRockies.ca/Forestry

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The Northern Rockies Regional Municipality (NRRM) continues to be actively engaged in developing and supporting economic opportunities related to the rejuvenation of the forest industry in the Regional Municipality.

North American Forest Industry Report

Record lumber prices in the U.S. have resulted in very strong balance sheets for all lumber producers. Canadian producers such as West Fraser, Canfor and Interfor all had excellent 2017 earnings and increased Q1-2018 earnings. The impact of U.S. import duties enacted in February of 2017 have been largely negated by excellent lumber prices in the U.S., and the fact that companies like West Fraser and Canfor now produce a significant amount of lumber in their U.S. facilities. Summer forest fires in 2017, severe winter weather followed by railcar shortages in 2018, as well as strong export markets, has created an almost perfect storm for lumber customers.

Oriented Strand Board (OSB) prices as of June 1st, 2018 are also at excellent levels for producers. The North Central OSB price (7/16" thickness) is USD \$445 per thousand square feet, compared to \$320 one year ago.

Log prices in central BC are at very high levels and supply is decreasing. Companies such as Dunkley and West Fraser are looking all over northern BC to keep their log yards at working levels. The Cariboo fires of last summer caused Norbord's OSB Mill in 100 Mile House to take considerable downtime in May due to lack of wood. Overall, the forest products markets are highly supportive for investment in forest products manufacturing in the NRRM.

Community Forest Agreement

The target date for submission of the Community Forest Agreement (CFA) application is September 1, 2018. In April, the Partners completed a draft Memorandum of Understanding (MOU) between the Fort Nelson Community Forest and BC Timber Sales (BCTS). The MOU was necessary to address overlap between BCTS and CFA jurisdiction areas, and involved the setting of a volume reservation for BCTS within the Community Forest to offset the overlap.

A second CFA Open House/Forum was held on Thursday, May 17th, 2018 to provide the public with updates the community forest application progress, forest area selection, draft management plan and the Phase 2 Aspen Study. Approximately 35 people attended the event.

People are able to provide comments on any issues related to the Community Forest application until July 1st, 2018. The CFA Partners are still engaging with trap line owners that may be affected by the CFA lands selection.

The Board for the Fort Nelson Community Forest General Partnership Corporation (CF Corp.) has two directors for each partner. An advertisement has been placed in the Fort Nelson News for two NRRM designate directors to serve for a 2-year term. Application deadline is on Wednesday, June 13th, 2018 at 4:00 pm. Currently, the CFA Partners are finalizing the Management Plan as well as preparing a limited Business Plan.

Boreal Caribou Recovery Socio-Economic Impact Study

The NRRM continues to be actively engaged with government on the formulation of a final draft of the Boreal Caribou Recovery Implementation Plan (BCRIP). The Regional Municipality has requested that the Province examine the link between the exclusion of certain areas from harvesting and stated objectives. Discussion around the interpretation of the underlying science is ongoing, given the absence of consideration of a number of variables which the NRRM feels are significant.

The Northern Rockies has also been in discussions with communities in the Peace River Regional District and jurisdictions in Alberta with similar concerns regarding Caribou Recovery Plans. These exchanges of information have been mutually beneficial and will be expanded on.

Stantec's study on the "***Economic Impact of Boreal Caribou Habitat Recovery Measures in the Northern Rockies Regional Municipality***" is expected to be complete by the end of June 2018. A draft interim report was received on May 2nd, 2018, leading to a decision to review the appropriate 3 or 4 economic scenarios that should be analyzed and included in the final report. It has also been noted that accuracy and precision are paramount given the future audience of provincial analysts. To achieve this mapping detail, geospatial information and other forest economic data has been sourced through Industrial Forest Service Ltd (IFS).

The Stantec report identifies a theme in many provinces involved in boreal caribou recovery plans as, with limited funding, the provinces need to employ them where there is the greatest probability of having a positive impact on boreal caribou survival.

The "***Economic Impact of Boreal Caribou Habitat Recovery Measures in the Northern Rockies Regional Municipality***" report will add to those considerations brought to the table as the Regional Municipality works toward a final version of the BCRIP that strikes a fair balance between conservation and the economic interests and well-being of our communities.

Aspen Study: Phase 2 Aspen Analysis

The Aspen Analysis study is wide ranging and includes fibre flows in BC, market overview, competition for fibre, stumpage, forest health concerns and risks, fibre supply and cost, including all the delivered cost components. Funding from various sources including the provincial Rural Dividends Program, Northern Development Initiative Trust (NDIT) and FPInnovations (Vancouver-based not-for-profit) is enabling comprehensive reporting.

The study will provide extensive technical and marketing information that will provide a comprehensive investor package, forming a significant tool for attracting forest sector investment to the Northern Rockies.

FPInnovations is currently compiling a comprehensive technical report spanning harvesting, merchandising, sawmilling and veneer production (peeling, drying, grading (normal and specialized laminated veneer lumber (LVL) grades) and LVL production and testing).

Industrial Forest Service Ltd. (IFS) has completed the report titled "***A Review of Aspen/Hardwood Resources in Northeast BC***". The report defines the NRRM aspen resource in the context of the BC forest industry (land ownership, tenure, stumpage and annual allowable cuts), the northeastern BC log processing industry and the Fort Nelson Timber Supply Area (TSA) log supply and apportionment, including hardwood resources by area and volume.

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The IFS report is an excellent resource for foreign investors who may not be well-versed on the BC forest market. It has already met with favourable reviews from two potential forest investors who have had the opportunity to review the resource report, who had a particular appreciation for the “delivered log costs” data. The report is also valuable to the consultant (Stantec) currently developing a report on the socio-economic impact of boreal caribou regulations within the Fort Nelson Timber Supply Area.

Aspen Study: Phase 2 Marketing Study

The marketing component of the Phase 2 Aspen Study is being conducted with the assistance of **Forest Economic Advisors (FEA)**, a consulting firm with both North American and global industry knowledge.

The FEA marketing study was titled “***Sustainable High-Value Markets for Products Made from Aspen***”. The study has two parts, which have now been completed and the final reports received. Part 1 is a “***Market Study of Potential Products/Markets***” and Part 2 comprises “***Contacts with Potential Investors***”.

FEA concluded that the best manufacturing options for Fort Nelson are specialty or proprietary Oriented Strand Board (OSB) in concert with high-grade veneer. The specific companies that were sourced as able to manufacture these products are confidential at this stage to protect their competitive interests. It is entirely possible that a consortium of several companies could be formed that would substantially mitigate the business risk associated with a veneer peeling operation located in Fort Nelson.