

Greenpeace Submission on Forest Tenure Reform in Ontario – October 27, 2009

A. Key Recommendations

Introduction

Reform of the forest tenure system in Ontario provides an important opportunity for better aligning the province's forest industry with the economic and social needs of Ontario communities and the environmental needs of its ecosystems.

The viability and vitality of the industry depends on the long-term health and integrity of Ontario's forests, and the consistent availability of strong markets for Ontario forest products. With increasing concern among customers of forest products regarding the environmental impact of their sourcing, to hold onto existing market share and to capture new growing green markets, forest practices in Ontario must position the province as an indisputable green leader. This would help make Ontario a secure and uncontroversial place to source from forest products from.

In addition, reform must support and incentivize value-added manufacturing that maximizes jobs per unit of wood. Solutions pursued through tenure reform must be carefully weighed to ensure that they are ecologically beneficial, deliver maximum economic benefit for fibre used, and are sustainable over time.

Capturing Greater Market Share for Ontario through Tenure Reform

In order to improve the economic health of the forest sector, reform of the tenure system must bring about changes that increase Ontario's share of the fibre market and allow companies, large and small, to get more value for wood cut. Even as overall fibre demand has dropped in recent years, interest and concern among fibre customers regarding the sustainability of purchases has increased. A central element of enlarging market share must be to resolve outstanding environmental problems that are discouraging these customers from prioritizing purchasing from Ontario .

More specifically, degradation and destruction of critical caribou habitat and other high conservation value forest areas has become a substantial deterrent for companies looking at sourcing from Ontario. For example, in August 2009, the world's largest tissue product manufacturer Kimberly-Clark pledged that its sourcing in the Boreal forest would only be from Forest Stewardship Council-certified tenures and would exclude endangered and high conservation value forests¹. As this company uses more than 4.5 million tonnes of fibre each year for its products sold around the world, it can have a very serious positive impact on the health of the forest industry in Canada and Ontario. When its former supplier, Buchanan Forest Products, refused to meet the fundamentals of this new policy, Kimberly-

¹ For more details see: Kimberly-Clark <http://investor.kimberly-clark.com/releasedetail.cfm?ReleaseID=401321> ; Greenpeace Canada <http://www.greenpeace.org/canada/en/recent/kimberly-clark-and-greenpeace>

Clark ended its purchases from the Terrace Bay pulp mill and took their business elsewhere – outside Ontario. As late as 2004, the company had been purchasing 90% of the pulp produced by this mill, totally approximately 395,000 tonnes of pulp. At a market price of \$600 per tonne of NBSK pulp², this was valued at approximately \$227 million USD.

Companies are increasingly purchasing from Forest Stewardship Council-certified forests and avoiding controversial sourcing. In addition to Kimberly-Clark, major companies such as RONA, Limited Brands, Office Depot, Penguin, Indigo Books, and the Globe and Mail have passed policies that limit the purchase of products from destructive logging operations and high conservation value forest areas, favour FSC certification and which include auditable targets for purchasing responsibly sourced products³.

The controversy over destruction of caribou habitat is growing as scientific consensus emerges around the serious threat that human disturbance poses to woodland caribou and the need for immediate action⁴. Customers are increasingly engaged on this issue and concerned about the risks of being associated with habitat destruction.

Removing critical caribou habitat – as identified in the attached map – from tenure will immediately resolve this obstacle to purchasing Ontario fibre. Instead of avoiding Ontario, the marketplace would turn to it as a reliable source of sustainable products. This would translate to significant economic gains at the community and provincial levels. In addition, the removal of critical caribou habitat from tenure would concentrate forest product supplies closer to existing mills, reducing transportation costs for processing and shipment and increasing mill efficiency.

In addition to the increased competitiveness that would be gained by removing critical caribou habitat from tenure, such a move would contribute to the long term stability of the forest sector in Ontario. Boreal woodland caribou are classified as threatened under the provincial Endangered Species Act, which will lead to automatic mandatory protection of caribou habitat under the Act at latest by 2012. If critical habitat is not taken out of tenure before protection begins, it will devalue the existing licenses in those areas and lead to negative economic impacts – a circumstance that can and should be prevented. The forest

² Current price hovers at \$788 USD.

³ See for example, RONA: <http://www.rona.ca/rona/img/ATTACHMENT1227281127689.pdf> ; Globe and Mail: <https://customer.globeandmail.ca/PaperProcurementPolicy.html>; Limited Brands: http://www.limitedbrands.com/pdf/ltc_paper_policy.pdf

⁴ For example, see Environment Canada, “Scientific Review for the Identification of Critical Habitat for Woodland Caribou (*Rangifer tarandus caribou*), Boreal Population, in Canada,” Appendix 6.5, pp 144-162 (2008); Réhaume Courtois et al, “Effects of Forest Disturbance on Density, Space Use, and Mortality of Woodland Caribou,” *Ecoscience*: Vol. 14, No. 4 pp. 491-498 (2007); James A. Schaefer and Shane P. Mahoney, “Effects of Progressive Clearcut Logging on Newfoundland Caribou,” *Journal of Wildlife Management*: Vol. 71No. 6, pp. 1753–1757 (2007); and Liv Vors et al, “Woodland Caribou Extirpation and Anthropogenic Landscape Disturbance in Ontario,” *Journal of Wildlife Management*: Vol. 71, No. 4 pp. 1249–1256 (2007).

industry in Ontario needs certainty of regulations and landbase in order to do proper long term planning and to prioritize investments.

Supporting a Conservation-Based Forest Economy through Tenure Reform

Ontario must find new ways to obtain maximum economic benefit from forests managed for long-term health and ecological value. The forest industry must be diversified through new sectors and product lines that have added value. To enable this, tenure reform should ensure that small businesses are able to have increased access to fibre. Tenure reform should not be attempting to maximize the number of trees cut but rather ensure that they are generous financial incentives in place for businesses to maximize the value out of each tree cut, thereby maximizing the economic and social benefit. Tenure reform must also consider the value of non-timber forest products. Government should work with communities and stakeholders to develop plans for sustaining non-timber forest-based businesses (e.g. *remote, adventure and eco tourism, wild rice harvesting and other forest foods, trapping*). Government should establish an industry innovation fund that focuses on best practices, new product development, and technology support.

In order to incentivize long-term investment in healthy, sustainable forests and meet the desire of forest-based communities for greater say in how forests are managed, tenure reform should also create a system of community forests that allows a community to manage a nearby public forest for the benefit of that community. This would provide greater opportunities for small businesses and support local control of wood and diversification of industry.

Biomass – A False Solution

Use of wood biomass as a source of energy is being discussed by government as a solution to the downturn in the forest sector, as well as a green alternative to fossil fuels. Biomass could be an ecologically sound and economically beneficial industry under carefully researched and monitored circumstances: for example, for home heating or small scale cogeneration in a mill using mill residue. However, the use of biomass for energy (electricity) production on a large scale is both environmentally and economically unsound.

A shift toward energy production from biomass would actually damage the forest sector in the long-term. Energy production from biomass is equivalent to burning up our forests for electricity - the complete opposite of a value-added product. The quantities of fibre that would be needed for large-scale production would make access to fibre even more difficult for value-added businesses. As a source of green energy, biomass fails: it is carbon intensive, since harvested forest is a net source of carbon for up to 25 years, and production generates secondary emissions. Excellent green energy alternatives such as solar, wind, and geothermal, already exist. Finally, harvesting of woody debris for biomass is likely to have serious negative implications for the health of our forests by reducing nutrient availability from downed wood debris.

Conclusion

A transition to a conservation-based economy is essential to ensure the economic and social well-being of Ontario communities in the long-term future. Reform of the tenure system offers an exceptional opportunity to take the first important steps down this road. Removing all critical caribou habitat from tenure will position the province as a conservation leader and attract new investment, while systemic support for value-added products and community forests will increase the economic and social benefit derived from forestry in Ontario.

B. Response to Select Ministry Questions

Should management units be larger or smaller? Should they all be the same size? What criteria (such as tenure obligations, ecological boundaries, watersheds, transportation routes, etc.) should be considered to determine the appropriate number and size of management units and why?

Management units should be of variable size, related to ecological and watershed boundaries, as well as existing transportation routes. Criteria to determine the size and number should include habitat of endangered or threatened species and should facilitate management planning by being partially based on ecological boundaries.

When possible, tenures should be smaller rather than larger: larger tenures have less responsiveness to the communities surrounding them, the communities and foresters are less likely to be knowledgeable about the entire area, and it is more difficult to track ecological change in larger units. When determining boundaries, distance to existing mills should be a strong consideration.

Should Ontario consider a system of intensive management zones similar to that being proposed by Quebec? If so, what do you suggest would make this approach suitable to Ontario (for example zoning, incentives, or licence conditions)?

Intensive management zones that prioritise wood production over other components of the forest (e.g. biodiversity, non-timber products) should not be considered. If intensive management zones are considered, they must be extremely limited and only being put into place after comprehensive planning that considers all potential environmental and social impacts. The Forest Stewardship Council system does not certify areas that are converted to intensive forest management (considered to be plantations under the FSC National Boreal Standard) after November 1994⁵ when they make up more than 5% of a productive forest area (defined by the tenure in question), occur in high conservation value forest areas and only show limited conservation benefit. New IFM areas in tenures could negate that tenures ability to acquire FSC certification and thus reduce the ability of mills connected to that tenure from marketing their products under the FSC logo.

⁵ FSC Canada, National Boreal Standard Principle 10:Plantations and Principle 6: Environmental Impact. See pages 91 and 125.

What improvements to the Forest Renewal and Forestry Futures Trusts could be considered to ensure there is sufficient funding for basic silviculture during both positive and negative economic cycles? Are there other mechanisms that could be considered?

We see a greater need for not just better silvicultural practices in the forest but whole scale forest rehabilitation and restoration. Across Ontario's forests, there is a real need for ecological restoration of forests to not only restore natural levels of biodiversity but to mitigate climate change and provide better environments for species to adapt to climate change. Tenure reform ought to involve opportunities for transitioning former timber workers to do ecological restoration of previously logged landscapes and stands and not simply rely on the Forest Renewal and Forestry Future Trusts Fund to do the massive amount of restoration that is needed. Both funds need better financial resourcing and a new system should be put in place to adequately finance these funds. Additionally, the scope of the funds should be expanded to address the additional issues listed above.

Should there be a separation between strategic and operational forest management responsibilities? If so who should be responsible for what (e.g. strategic planning, operational planning, reporting, other forest activities and compliance monitoring)?

The provincial government must, at a minimum, initially identify areas that can and cannot be logged based on biodiversity concerns, non timber forest product extraction, other forest-based industries as well as social and traditional concerns. Additionally First Nations consultations should be accelerated. As the forests of Ontario are a publicly owned resource, the provincial government should maintain a strong decision making role in the management of forests. Particularly when it comes to balance logging and other uses of the forest, the government should be involved and have ultimate decision-making authority.

Should consuming mills be responsible for the management of a public sector resource? Should special operating agencies be established to work between companies and government? What is the appropriate model (e.g. Crown Agencies, forest management boards, community forests, independent forest management companies) and role for government?

Consuming mills and those companies that own them should not be responsible for forest management. Community forests are a strong model for stable, long-term economic development that considers ecological factors and non-timber values, and should be supported.

How should timber be allocated (e.g. auctions, contracts, government commitments) to provide flexible and open access to available timber for new emerging entrepreneurs as well as offer investment certainty for existing competitive industry?

A certain amount of timber should be allocated (first right of refusal) to small operators across the province. This would be a significant boost to the development of what tend to be value-added, high employment businesses. Additionally some market-determined

pricing and access to timber would provide improved valuation of the forest resource, but the provincial government must maintain a minimum cost of the timber and ensure that stumpage rates are based on a proper valuation of the resource.

What proportion (e.g. 25%, 50%, 75%) of Crown timber, if any, should be made available through commitments? Under what conditions (e.g. mill is operating, first right of refusal, specified term)?

See above. Additionally, the system should ensure that wood is prioritised for value-added uses and for companies in which a higher number of jobs are involved in the manufacture of the given product. With many mills idled, some permanently, there is a clear need to re-work the system of wood allocation and commitments with a much smaller proportion being committed than we currently see to give more flexibility. Cases where companies such as Buchanan Forest Products hold on to fibre supply even though operations are idled while other users of timber cannot find timber should be avoided through the institution of proper mechanisms and ministerial powers.

What mechanisms can be put into place to promote increased opportunities for Aboriginal involvement in the forest sector (e.g. direct licences or allocations)?

Minimum employment levels of Aboriginals by companies should be put in place. Additionally, revenue sharing models should be created whereby local Aboriginal communities receive benefits and training for the forest resource on their traditional territories and reserves. Other mechanisms should be identified and acted upon through in-depth consultation with Aboriginal communities, and would likely include a variety of options to suit the varying needs and priorities of communities. The example of the Coast Opportunities Fund in British Columbia should be looked at more closely⁶. **Coast Opportunity Funds** oversees and manages \$116 million provided by the Province of British Columbia, the Government of Canada, and six private foundations, in two funds:

- [The Conservation Fund](#), a long-term fund designed to support activities that maintain or improve the Great Bear Rainforest.
- [The Economic Development Fund](#), a shorter-term fund designed to create sustainable businesses and community-based employment opportunities over seven years.

How much regional variation should there be across the province?

Variation should be permitted and must include ecological factors and the needs of communities throughout the province. Variation, with minimum standards, will allow maximum economic and ecological benefit to each area.

⁶ See <http://www.coastfunds.ca/index.php>

What features of the current pricing system (price - base payment and residual charge, forest renewal charge, and forestry futures charge) should be retained and what improvements are necessary? For example, should the amount charged for forest renewal remain specific to the management unit or should these charges be established regionally or provincially?

The pricing system should reflect the full economic, social and environmental cost of the resource used, and the cost of investment in future assets. Pricing should remain specific to the management unit as renewal needs will vary. Full cost accounting must be implemented as currently the ecological services, such as clean water, carbon storage, wildlife habitat are not considered⁷.

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⁷ Canadian Boreal Initiative, Counting Canada's Natural Capital, November 2005.
http://www.borealcanada.ca/documents/Boreal_Wealth_Report_Nov_2005.pdf