



Ministry of Forests, Lands
and Natural Resource Operations

BC Government perspectives on Fibre Sourcing for Pellet Operators

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BC Government believes Pellet Industry is significant

Since 1998:

- **industry has grown to 13 plants across the province**
- **BC has become major global exporting region**

Plans for:

- **Terminal Expansions**
- **additional manufacturing facilities**

Key outlet for sawmill residuals in certain areas

Significant role in creating economic pull for harvesting residuals

Potential role in harvesting pine beetle killed timber



Fibre Sources in BC

Sawmill Residuals:

- most viable source
- proven economic model

Harvesting Residuals:

- more costly source
- proven economics within limited haul distances

Stand-alone Timber Harvest:

- very marginal economics, highly subject to haul distances

Each of these sources has its challenges and opportunities

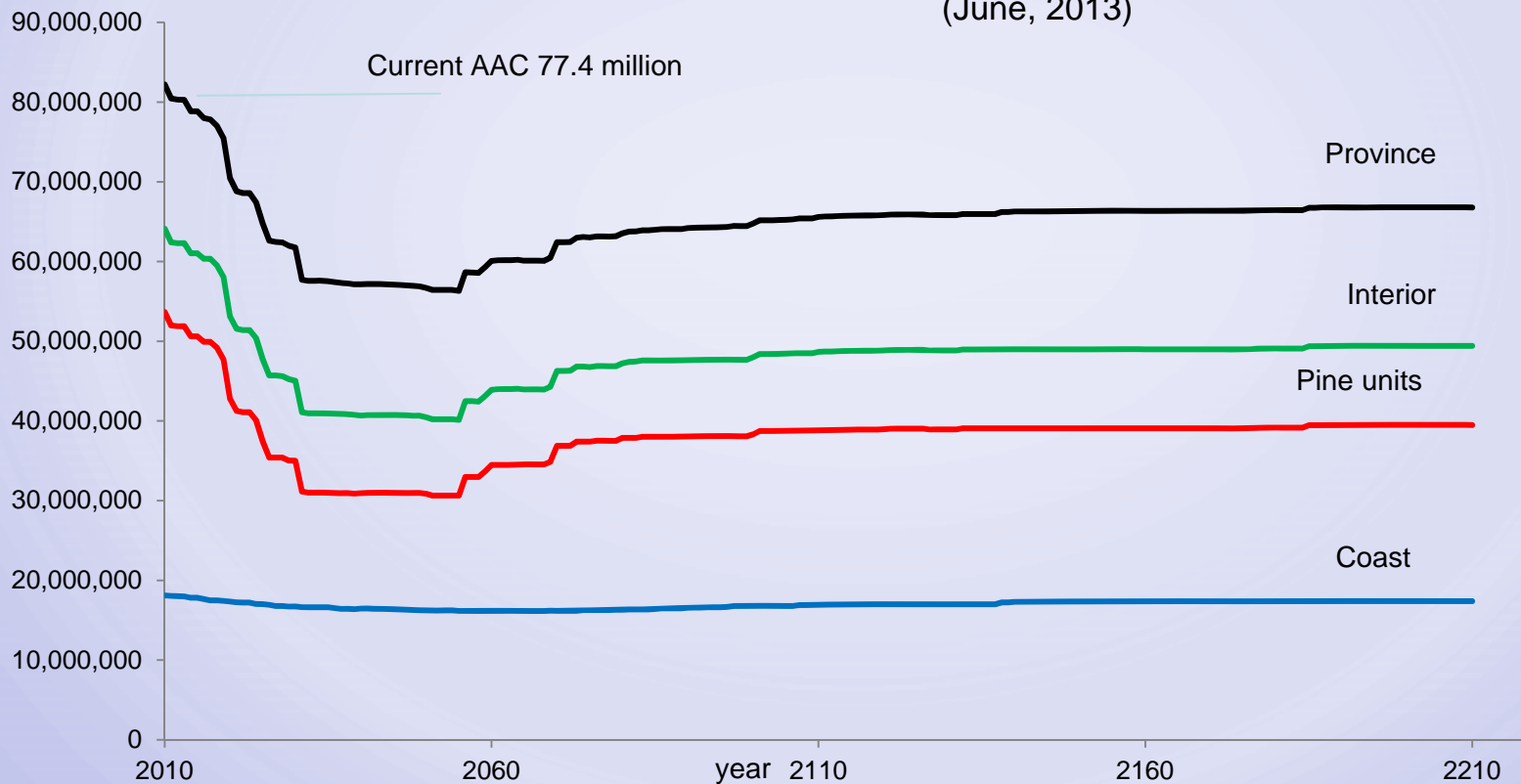


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harvest m³/year

Projected Harvest Forecast Provincial TSAs and TFLs (June, 2013)





Challenges and Opportunities around Fibre Sources in BC

Sawmill Residuals:

- industry downsizing as AACs drop
- increased demand for residuals
- difficulty securing long term contracts

Harvesting Residuals:

- industry downsizing as AACs drop
- difficulty developing B2B relationships with primary harvester
- huge opportunity for efficiencies through “one-pass” operations

Stand-alone Timber Harvest:

- opportunities for harvest and transport improvements
- 8,000,000,000 m³ of unutilized biomass in BC today



Challenges and Opportunities around Fibre Sources in BC

Potential Government actions to help address the challenges and capture the opportunities:

- **supporting research into harvest and transport improvements**
- **policy incentives for B2B around sawmill residuals**
- **policy incentives for B2B around harvest residuals**
- **forest tenure opportunities for harvest residuals**
- **forest tenure opportunities for stand-alone harvest**
- **improving the economics of stand-alone harvest**
- **fibre-based Allowable Annual Cuts (AACs)**



Challenges and Opportunities around Fibre Sources in BC

Potential Government actions:

- supporting research into harvest and transport improvements
- policy incentives for B2B around harvest residuals
 - level the playing field?
 - make it less desirable to leave harvest residuals
 - ban all burning?
- forest tenure opportunities for harvest residuals
 - Grade 4 credit
 - roadside and landing tenures (FLtCut and Fibre Supply LtCut)



Challenges and Opportunities around Fibre Sources in BC

Potential Government actions:

- forest tenure opportunities for stand-alone harvest
 - restricted forest license
 - supplemental forest license
- improving the economics of stand-alone harvest
 - defray cost of silviculture in rehab stands
 - forest fuel modification and removal in urban interface zones
 - carbon offsets in rehab stands
- fibre-based AACs



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BC Government believes Pellet Industry is significant

Proven track record over past 15 years

Demonstrated plans for expansion

Opportunity to improve forest management regime