

2022-23 Pre-Budget Submission
Ontario's Forest Sector:
Growing Prosperity

Ontario Forest Industries Association
Pre-Budget Submission
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Protecting Ontarians through the COVID-19 pandemic was the government's top policy concern over the past year. We recognize the significant efforts made by the Ontario government to protect the health and wellbeing of its citizens.

We are also proud of the forest sector's role in pandemic response and economic recovery. The Ontario Forest Industries Association's (OFIA) membership safely continued operations throughout the pandemic, meeting an increasing demand for sustainable forest products. This would not have been possible without the swift action taken by the Ontario Government, including the designation of the forest sector as an "essential service" and additional support measures for the industry.

As Ontario emerges from the pandemic, attention must focus on economic recovery and job creation to keep people working, healthy, and safe. Ontario's forest sector is well-positioned to contribute to these initiatives and cultivate new opportunities with the appropriate competitiveness measures and policy environment.

The recommendations included in this submission represent a suite of government actions necessary to improve competitiveness, continued investment, and forest sector growth in Ontario. The OFIA looks forward to working collaboratively with the Ontario government to position the forest sector as a key participant in Ontario's sustainable economic recovery.

Summary of OFIA's Recommendations

Implement *Sustainable Growth: Ontario's Forest Sector Strategy (the Strategy)*, focusing on key competitiveness measures:

- a) Consistent with the Strategy, take steps to increase access to the full available supply of provincial wood fibre to support existing facilities and set the stage for future expansion.
- b) Enhance support for the Forest Access Roads Funding Program to \$100 million to support investment in multi-use public infrastructure.
- c) Ensure a long-term and sustainable future for forest biomass electrical generation.
- d) Position Ontario as a globally competitive jurisdiction through red tape and cost reduction.
- e) Developing the workforce of the future and enhancing forest community livability.
- f) Transitioning to a low carbon economy.
- g) Communicate the effectiveness of Ontario's adaptive and sustainable forest management framework to the federal government, stakeholders, and the broader public.

Implement Sustainable Growth: Ontario's Forest Sector Strategy, focusing on key competitiveness measures.

The Ontario government's commitment to growing the provincial forest sector while reducing red tape was the basis of *Sustainable Growth: Ontario's Forest Sector Strategy*. Through successful implementation of the Strategy, the government will enable Ontario's forest sector to become a world leader in sustainable forestry, placing us among the very best North American, Scandinavian, and European jurisdictions. Ontario will foster a business climate that attracts investment and improves global competitiveness by taking these actions.

A: Take steps consistent with the Strategy, to increase access to the full available supply of provincial wood fibre to support existing facilities and set the stage for future expansion

Ontario's Forest Sector Strategy aims to harvest the currently approved annual allowable cut (AAC) of 30 million m³ by 2030. Achieving this ambitious target and addressing current barriers will require significant collaboration between the Ontario government, industry, forest managers, stakeholders, and rightsholders.

Economics is the driving force behind accessing standing timber; wood supply that is not cost-effective is not truly available or usable. By enhancing the competitiveness of forest operations, Ontario will be unlocking its usable, sustainable wood supply.

OFIA recommends the following:

1. Revise forest management guidance to focus on achieving economic objectives.
2. Create intensive forest management areas and investigate potential mechanisms to incentivize investment in intensive forestry.
3. Enhance Ontario's highly integrated forestry supply chains to ensure volumes of all tree species and qualities are consumed and made available.

Determining a provincially achievable wood supply is a complex undertaking. While significant volumes exist and are available, various compounding issues prevent the achievement of the current AAC. Ontario has an enormous opportunity to create jobs and drive economic development by working together.

Free and open access to markets is incredibly important. We urge the government to continue vigorously defending Ontario's softwood lumber producers from U.S. trade actions and ensure that the sector has ongoing access to the U.S. market.

B: Enhance support for the Forest Access Roads Funding Program to \$100 million to support investment in multi-use public infrastructure.

In Question Period on November 1, Premier Ford said, "*We are the party of building infrastructure, and we will get this province moving again.*" We believe that expanding funding for the Forest Access Roads program is integral to getting Ontario moving again and building up every part of the province.

Expanding the 2022/23 Forest Access Roads Funding program to \$100 million will benefit many stakeholders and rights holders (e.g., stimulate northern and rural

infrastructure projects and mitigate the negative economic impacts of COVID-19 felt by northern communities). Since its inception (2005), the Forest Access Roads Funding Program has been fully utilized. The industry has matched the province's contributions dollar for dollar and beyond on critical public, multi-use infrastructure while supporting 147,000 direct and indirect jobs.

The Forest Access Roads program is also a crucial economic driver for Indigenous communities, as many of the companies that build the roads are Indigenous-owned and operated. There are many examples of the necessity of this funding, such as Janveaux Forest Products, owned and operated by Algonquins of Ontario community members, which uses funding to maintain and construct hundreds of kilometers of roads on the Nipissing Management Unit on behalf of themselves, the North Bay/Mattawa Algonquins, and Antoine Nation Algonquins. There are many more examples like this across the province.

C: Ensure a long-term and sustainable future for forest biomass electrical generation.

Long-term contract certainty for forest biomass facilities, currently operating under power purchase agreements (PPAs), must be developed to ensure existing facilities remain viable in Ontario. The 2021 Ontario Economic Outlook and Fiscal Review released on November 4 provided encouraging language supporting forest biomass electricity generators. A commitment to re-contracting is welcome news to our industry and is essential to maintain forest sector progress as it builds capacity in the emerging bioeconomy.

Ontario has made a generational commitment to strengthening the forest sector and increasing the use of forest biomass through the Ministry of Northern Development, Mines, Natural Resources, and Forestry's (MNDMNRF) Forest Sector Strategy and Biomass Action Plan.

We strongly support initiatives that will maximize the use of wood residuals, reduce the need for carbon-intensive fuels, and avoid unnecessary pressures on landfills, which will help sustain the circular bioeconomy and the integration of Ontario's forest sector. Without a long-term future for bioenergy production, the most deployable and scalable forest biomass technology currently available, these strategic initiatives will face significant setbacks.

In Ontario, a future for biomass requires a strong base of support for currently operating facilities that utilize biomass to generate electricity. We ask the Ontario government to ensure forest biomass facilities remain in operation in Ontario, supporting jobs, promoting economic development, and providing low-carbon energy.

D: Position Ontario as a globally competitive jurisdiction through red tape and cost reduction.

Red tape reduction has been a focus of this government, and the forest sector is in full support of working together to reduce barriers.

The OFIA has repeatedly flagged cost competitiveness, the speed with which we conduct business, and streamlined approval processes as themes that continue to inhibit global competitiveness and negatively impact wood supply access. Initiatives (the Strategy, provincial policy working groups (TAT, SID, FMPAG), and policy changes) have supported a provincial mandate to reduce red tape and administrative burden. However, few of these initiatives have been implemented successfully, if at all. More work on these projects is required for the Strategy to succeed.

OFIA specifically recommends the following:

1. Ensure all government policy initiatives align with the goals and objectives of the Forest Sector Strategy to reduce cost and administrative burden.
2. Establish service standards, improve service delivery, and remove the need for low-risk approvals.
3. Adjust, and make permanent the 'fixed' portion of Crown dues for poplar and white birch stumpage to ensure that the rate is consistent with other provincial jurisdictions.
4. Build on announcements contained within Ontario's 2021 budget (*Ontario's Action Plan: Protecting People's Health and Our Economy*) to reduce current electricity costs while maintaining and enhancing existing energy programs (e.g., the Northern Industrial Electricity Rate, the Industrial Conservation Initiative, and the Industrial Electricity Incentive program).

E: Developing the workforce of the future and enhancing forestry community livability.

Ontario's forest industry is hiring. Developing a sustainable workforce of the future will be essential for the continued success of our industry and in achieving the goals of the forest sector strategy. The livability of forestry-dependant communities is central to attracting new workers and new Canadians. Continued investments in healthcare, education, affordable daycare, and housing availability is necessary to ensure that all Ontarians enjoy the same quality of life.

This government has already invested substantially in infrastructure across the north, including roads and improved internet and cellular coverage, and we look forward to seeing that investment continue. In an increasingly digital age, communities across the north must have strong technological infrastructure in addition to built infrastructure. Forestry-dependant communities need to become more competitive in drawing new residents, particularly new Canadians. The province needs to consider incentivizing living in the north and enhancing the quality of life for those already living there.

F: Transitioning to a low carbon economy

This will be the first budget under the new Ontario-run Emissions Performance Standards (EPS) program. It provides an opportunity for the Ontario government to reduce the burden of the regulation on our membership by developing programs to facilitate and speed up the transition to a low carbon economy while improving the sector's

competitiveness. It is key that the proceeds from the EPS be set aside to assist the industry in implementing energy efficiency or carbon reduction projects and research and development where needed. Developing an Ontario fuel surcharge to replace the Federal program would provide access to a larger pool of funds to help the transition.

In parallel, we are worried that the proposed federal Clean Fuels Standards will compound the impacts from the federal fuel surcharge on forestry operations and transportation, especially by-product hauling. Few alternatives are currently available. We strongly encourage the government to consider ways to support the industry through this transition.

G: Communicate the effectiveness of Ontario's adaptive and sustainable forest management framework to the federal government, stakeholders, rightsholders, and the broader public.

The Ontario forest sector has remained committed to upholding the highest standards of sustainable forest management to maintain ecological processes effectively, conserve biological diversity, and minimize adverse effects on plant life, animal life, water, soil, air, and social and economic values across large, healthy, diverse, and productive Crown forests. We encourage all stakeholders and rightsholders to be involved during the planning and managing phases of forest management and remain committed to continuous learning to ensure improvements to our land-use decisions.

We strongly encourage the Ontario government to continue communicating our adaptive forest management framework's effectiveness to the federal government, stakeholders, and rightsholders and defending our industry in the face of misinformed activist campaigns.

OFIA specifically recommends the government continue to utilize science-based, landscape-level, and ecosystem-based approaches for managing forests and species at risk delivered through the CFSA, under the authority of the MNDMNRF. We also recommend that the government support private landowners who utilize these methods through supports for tree-planting programs and regenerative work on private land.

Conclusion

The forest sector is an integral component of Ontario's history and critical to its economic prosperity. OFIA is appreciative and encouraged by the Ontario government and MNDMNRF's leadership on *Sustainable Growth: Ontario's Forest Sector Strategy*, and other recent forest policy reviews that will significantly impact the forest industry. We look forward to continuing productive dialogue and supporting sustainable economic recovery initiatives with the Ontario government.