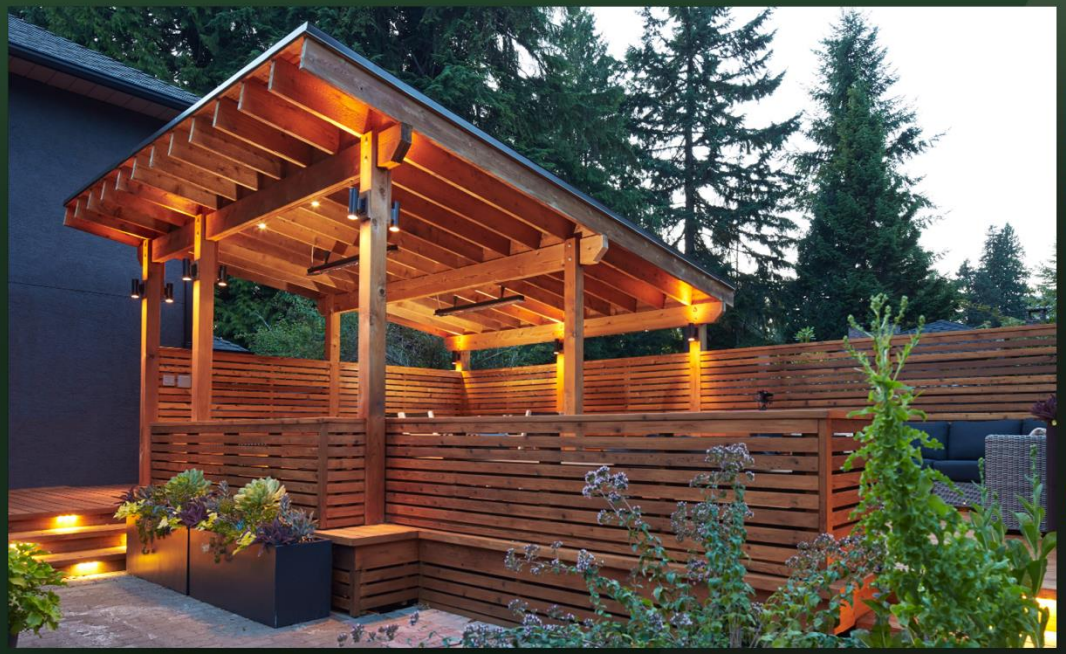
TFL 44 PARTITIONS & CUT CONTROL

June 10, 2021



Western Forest Products

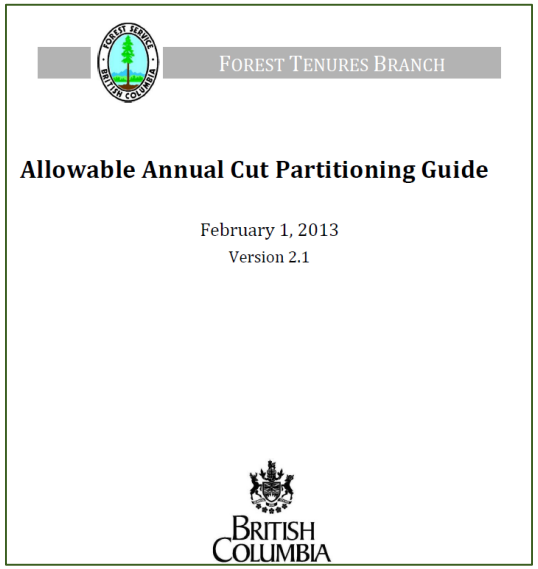
DEFINING A HIGHER STANDARD™

Outline

- Partitions Legislation Framework
- TFL 44 Partitions
  - Why?
  - What?
- Cut Control Legislation Framework
- Legislation Details
- TFL Cut Control Limits
- Unused Volume Disposition Policy
- TFL 44 2016-2020 Cut Control Period
- Disposition Decision Process

Partitions Legislation Framework

- *Forest Act* Section 8(5) – Chief Forester AAC partition(s)
- *Forest Act* Sections 75.01- 75.07 – Ministerial Ordered partition(s)
- *Allowable Annual Cut Partition Regulation* (BC Reg 32/2011)
- *Allowable Annual Cut Partitioning Guide* (2013)


FOREST TENURES BRANCH

Allowable Annual Cut Partitioning Guide

February 1, 2013

Version 2.1

BRITISH COLUMBIA

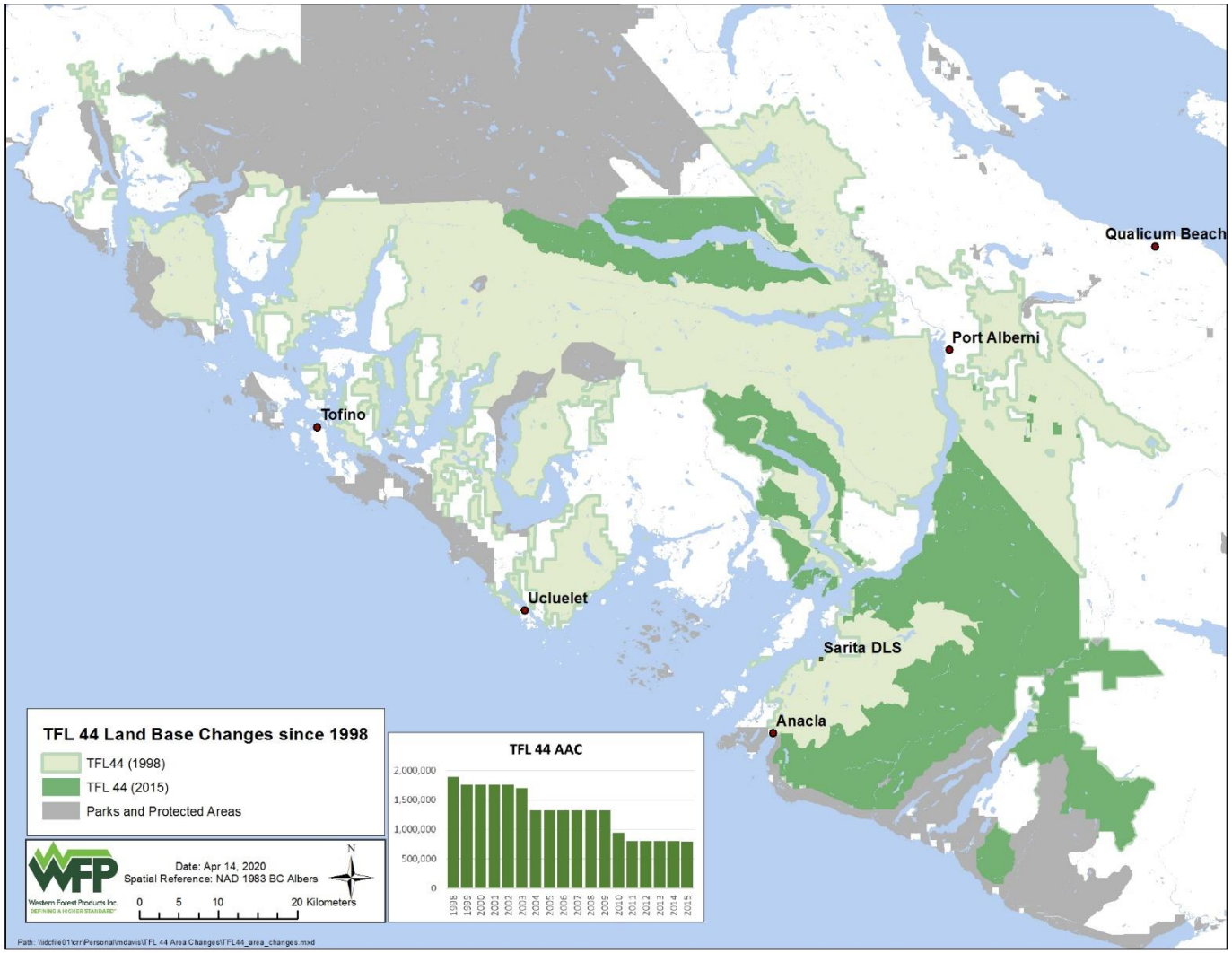
Legislation & Policy Components

Sustainability and Partitions

- Sustainable management requires that the harvest profile reflects the timber profile of the AAC
- Key Metrics of sustainability include:
  - Age class, species and harvest system
- Partitions are a tool to ensure that the harvest profile matches the timber profile of:
  - the land base, and
  - modelled assumptions including old growth to second growth transition

Requires Definition of the Economically Operable Land Base

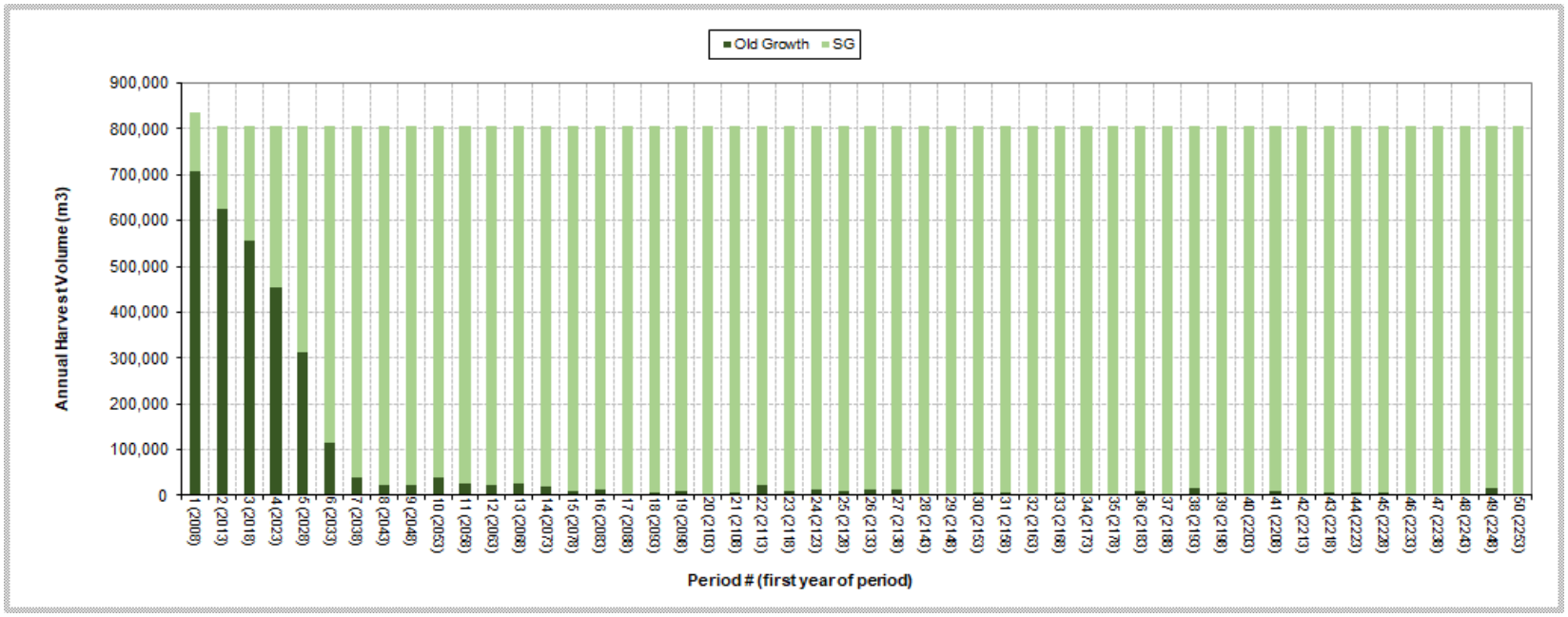
TFL 44 Sustainability Challenge – Land Base Reductions



65% Area Reduction / 58% AAC Reduction

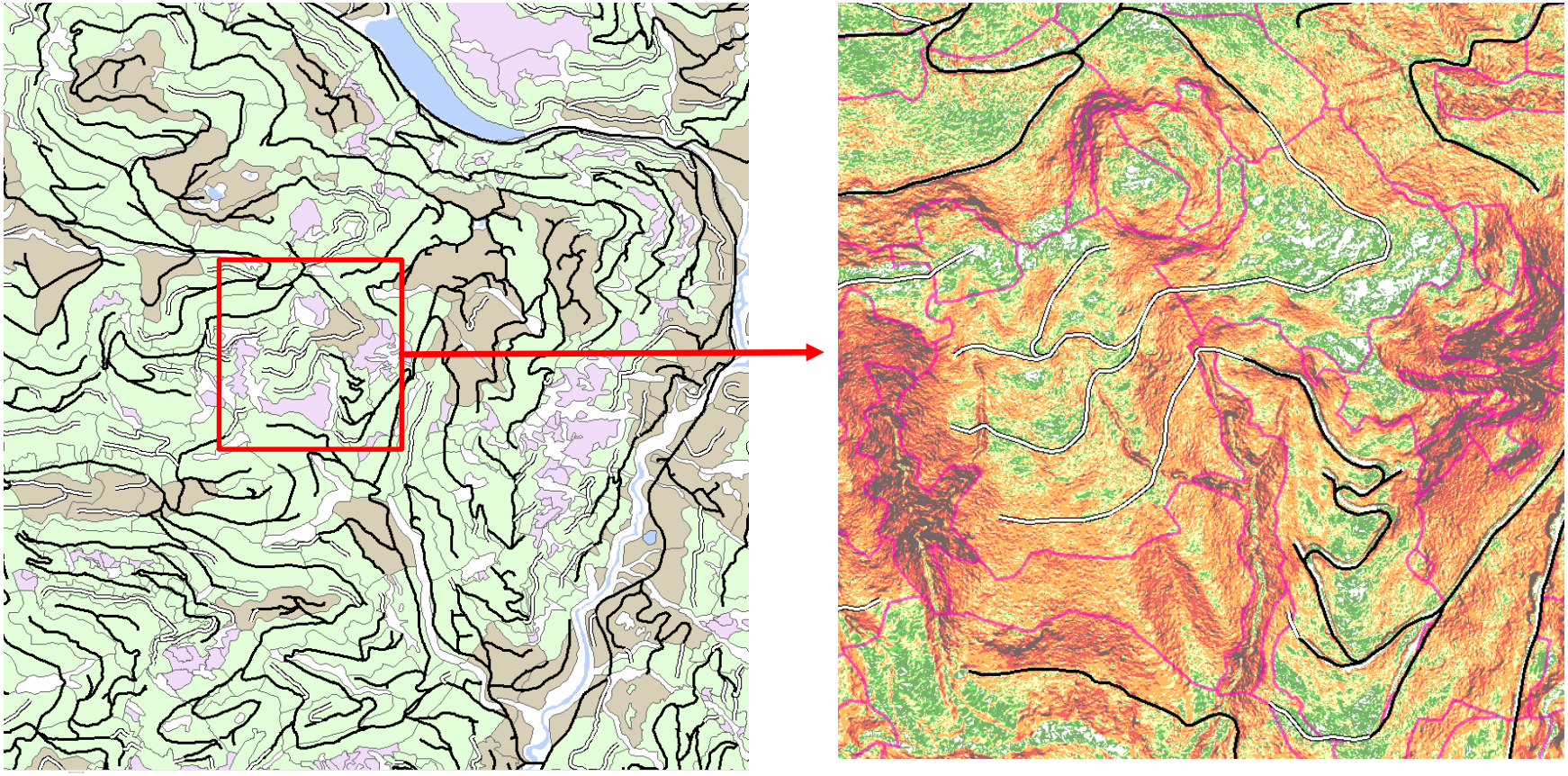
TFL 44 Old to SG Transition

Management Plan #5 Base Case



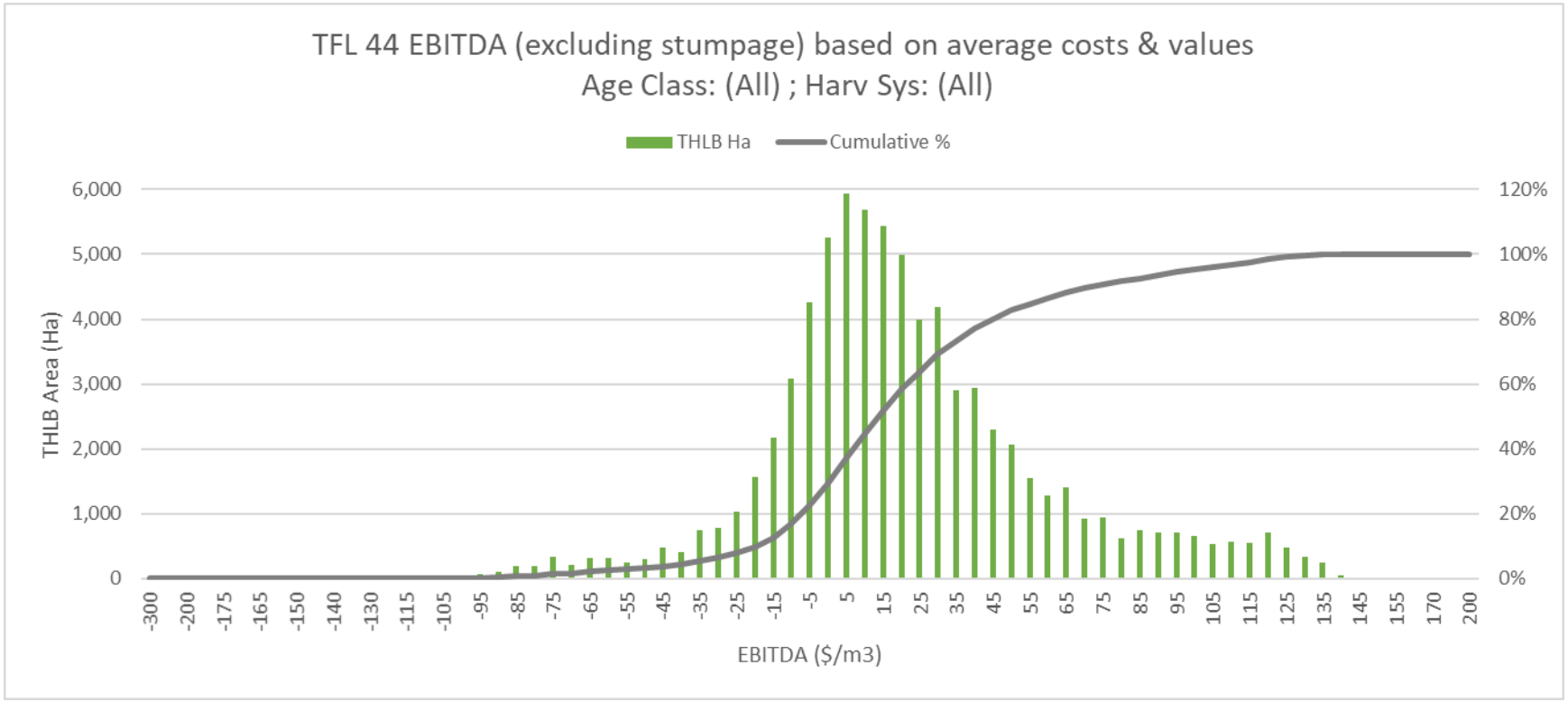
Full Transition within 17 Years

Defining the Economic Land Base



LiDAR Derived Land Base Blocks Completed for TFL 44

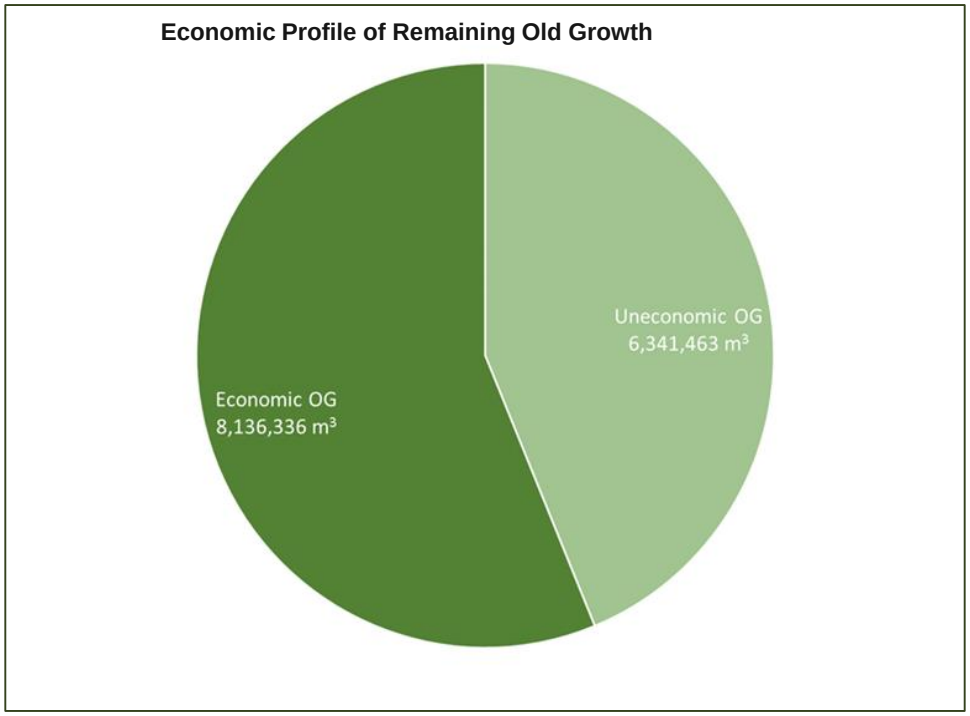
Results – Proportion of Area by Profitability



Assumed Reasonable Economic Return Reflective of Market Cycle Risk

Results – Projected Harvest Profile

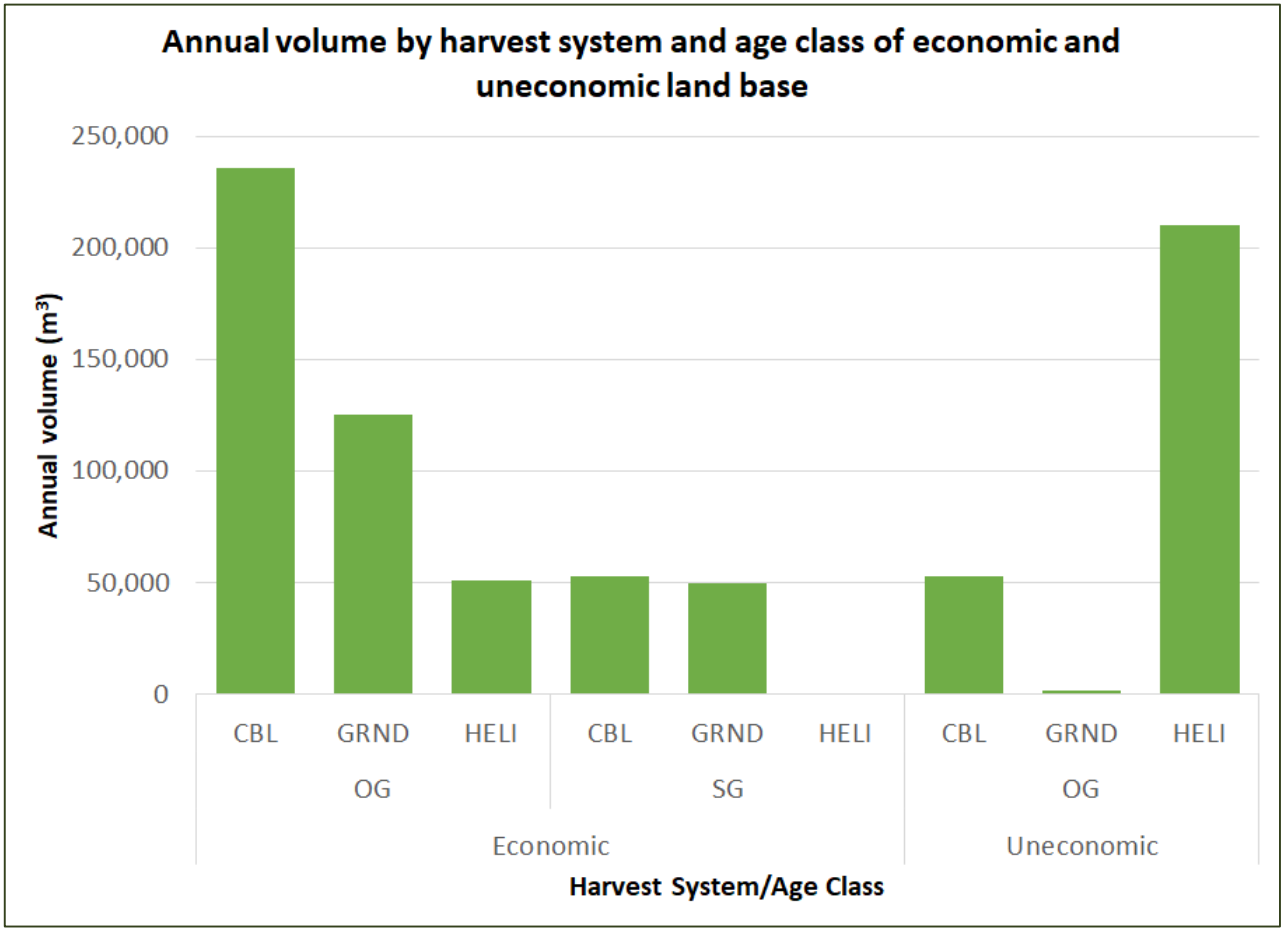
- 44% of standing OG classified as economically challenged



Opportunity to Conserve more Old Growth?

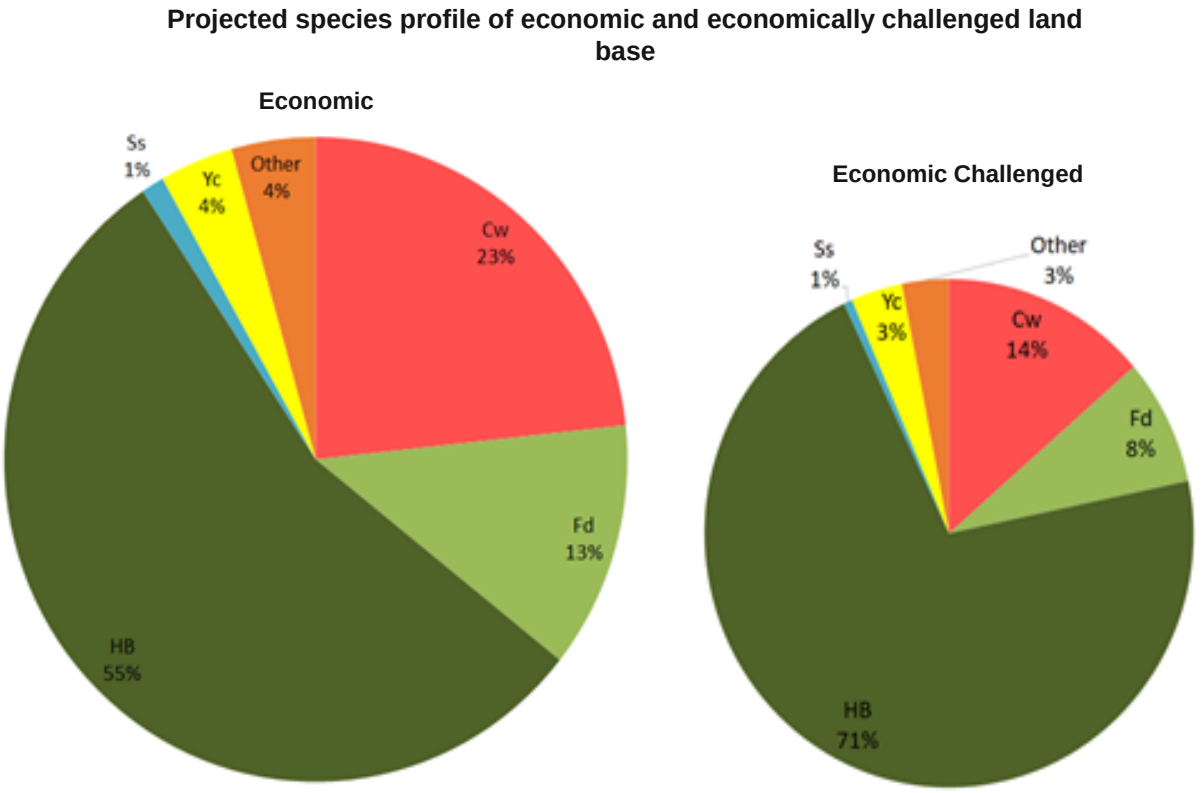
Results – Projected Harvest Profile

- Economically challenged largely old growth helicopter harvesting



Results – Projected Harvest Profile

- Economically challenged largely Hemlock and Balsam



TFL 44 AAC Partitions

- Chief Forester established December 8, 2020 at request of TFL 44 LP
  - "… *to ensure the **future harvest profile matches the timber profile of the TFL**, avoiding a disproportionate amount of total AAC from being harvested from the economic land base.*"
- TFL 44 AAC unchanged at 793,600 m^3
  - 535,000 m^3 from economic land base, of which
  - 110,000 m^3 from stands < 121 years old (i.e. second growth)
- Simple math results in 258,600 m^3 attributed annually to economically challenged land base

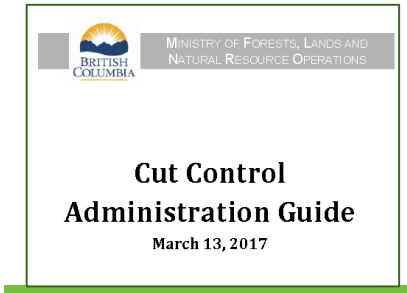
Partition	AAC Volume (m3)	Volume %	TFL 44 LP AAC (m3)	Others AAC (m3)
Economic OG	425,000	53.5%	418,628	5,948
Economic SG	110,000	13.9%	108,765	1,545
Economically Challenging	258,600	32.6%	255,089	3,624
Total	793,600	100.0%	782,482	11,118

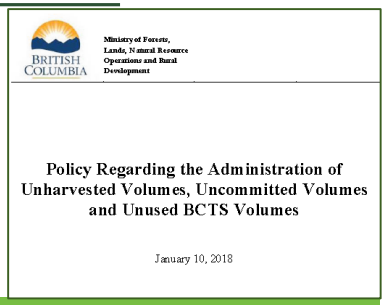
Support sustainable management of TFL 44

Cut Control

Cut Control Legislation Framework

- *Forest Act* Sections 75.1 – 75.96
- *Cut Control Regulation* (BC Reg 578/2004)
- *Cut Control Administration Guide* (2017)
  - https://www2.gov.bc.ca/gov/content/industry/forestry/forest-tenures/forest-tenure-administration/cut-control-administration
- *Policy Regarding the Administration of Unharvested Volumes, Uncommitted Volumes and Unused BCTS Volumes* (2018)
  - https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/timber-tenures/timber-tenure-bulletins-policies-procedure/policy_regarding_the_administration_of_unharvested_volumes_uncommitted_volumes_and_unused_bcts_volumes.pdf?bcgovtm=CSMLS





Legislation & Policy Components

Cut Control Legislation Details

- Key concept is the “Cut Control Period” (CCP)
  - Licenses with terms greater than 5 years have a CCP
- TFL CCPs are normally 5 years
  - 10 years possible in GBR North
  - Can be terminated early by license holder for some licenses (*FA* 75.4)
- Harvest flexibility incorporated
  - AAC from any and all years in a CCP can be harvested at any time in the CCP
  - For example, could harvest the sum of 5 years of AAC in the first year of the CCP
  - No requirement to harvest a minimum volume in a given time period within a CCP

Cut Control compliance measured over entire Cut Control Period

TFL Cut Control Limits

- Cut Control volume includes:
  - Scaled production
  - Measured avoidable waste and residue (including standing trees)
  - Scaled special forest products (e.g. shake and shingle material)
  - Volume transferred between licenses within the same management unit ("attributions"; *CC Reg* sections 18, 19, 22)
- Maximum volume that can be charged to TFL holder in a CCP without penalty is 110% of the total available AAC for the CCP (*FA* 75.41)
- A penalty of 2x average stumpage is paid on any volume in excess of 110% available AAC (*CC Reg* section 3)
- All volume in excess of 100% of available AAC is carried forward to the next CCP ("overcut"; *FA* 75.7)

Maximum volume implications

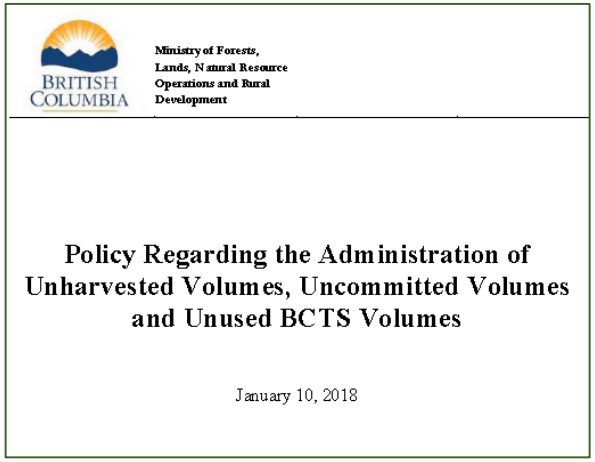
TFL Cut Control Limits

- All available AAC not attributed to the TFL in a CCP ("undercut") **may** be disposed of by the Crown to third parties (*FA* 75.8)
- The decision to dispose of unused TFL volume rests with the Deputy Minister (or Regional Executive Director)
  - Any Chief Forester AAC partitions will be considered
  - Forest management, economic, and First Nation interests considered
- Any undercut not disposed of to others continues to contribute to the TFL inventory and future AAC determinations
  - i.e. Unused volume can not be carried forward to the following cut control period

Unused volume implications

Unused Volume Policy

- Awarded and unawarded undercut volumes are brought to Chief Forester's attention during AAC determination process
  - Avoid "double-counting" of same inventory
- "As a general principle tenures *(i.e. undercut awards)* should not be issued using unharvested volume…in management units with a declining AAC"
- "This policy helps address these AAC sustainability concerns by providing a principled and defensible policy and decision making process framework regarding unharvested…volumes" – Tim Sheldan (February 19, 2018 memo)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Ministry of Forests, Lands, Natural Resource Operations and Rural Development

Policy Regarding the Administration of Unharvested Volumes, Uncommitted Volumes and Unused BCTS Volumes

January 10, 2018

Sustainability Considered

TFL 44 2016-2020 Cut Control Performance

- Current estimate for 2020 cut control period

Category	2016-2020 Cut Control Period (m3)
Licensee AAC	3,912,410
less: Volume attributed to TFL	(2,422,220)
Unused Volume	1,490,190

Multiple Factors Contributed to Undercut

Analysis of 2016-2020 Performance

2016-2020 Cut Control Period	Total	Economic OG (m3)	Economic SG (m3)	Economically Challenged (m3)
Licensee AAC	3,912,410	2,095,230	542,295	1,274,886
less: Volume attributed to TFL	-2,422,220	-1,736,458	-359,465	-326,298
Unused Volume	1,490,190	358,772	182,830	948,588
Unused Volume %	100%	24.1%	12.3%	63.7%

- 541,602 m^3 of unused volume attributable to economic land base
- 948,588 m^3 of unused volume attributable to economically challenged land base

63.7% of unused volume attributable to uneconomic land base

Disposition Decision Process

- 2020 Cut Control Statement finalized
  - July 2021
- Licensee asked to provide reasons that contributed to unused volume
- Ministry staff compile information consistent with Policy
- First Nations consultation undertaken
- Disposition decision(s) made
  - Award all, some or no volume
  - If award any volume, to whom and apply any constraints?

Will Take Months

Questions