

Ministry of Northern Development, Mines and Forestry

What's New:

**Ontario's Forest Tenure & Timber Pricing
Bill 151: Ontario's Forest Tenure Modernization Act**

Prepared by: Forestry Division
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Overview and Context

- **March 2009 – Spring Budget Statement**
- **August 2009 – Discussion Paper and Public Consultations**
- **April 2010 – Proposed Framework and Public Consultation**
- **December 2010 – Policy approval for modified approach**
- **January 13, 2011 – Minister announces proposed approach and plans to introduce legislation**
- **February 23rd, 2011 – Bill 151 introduced**

Overview and Context

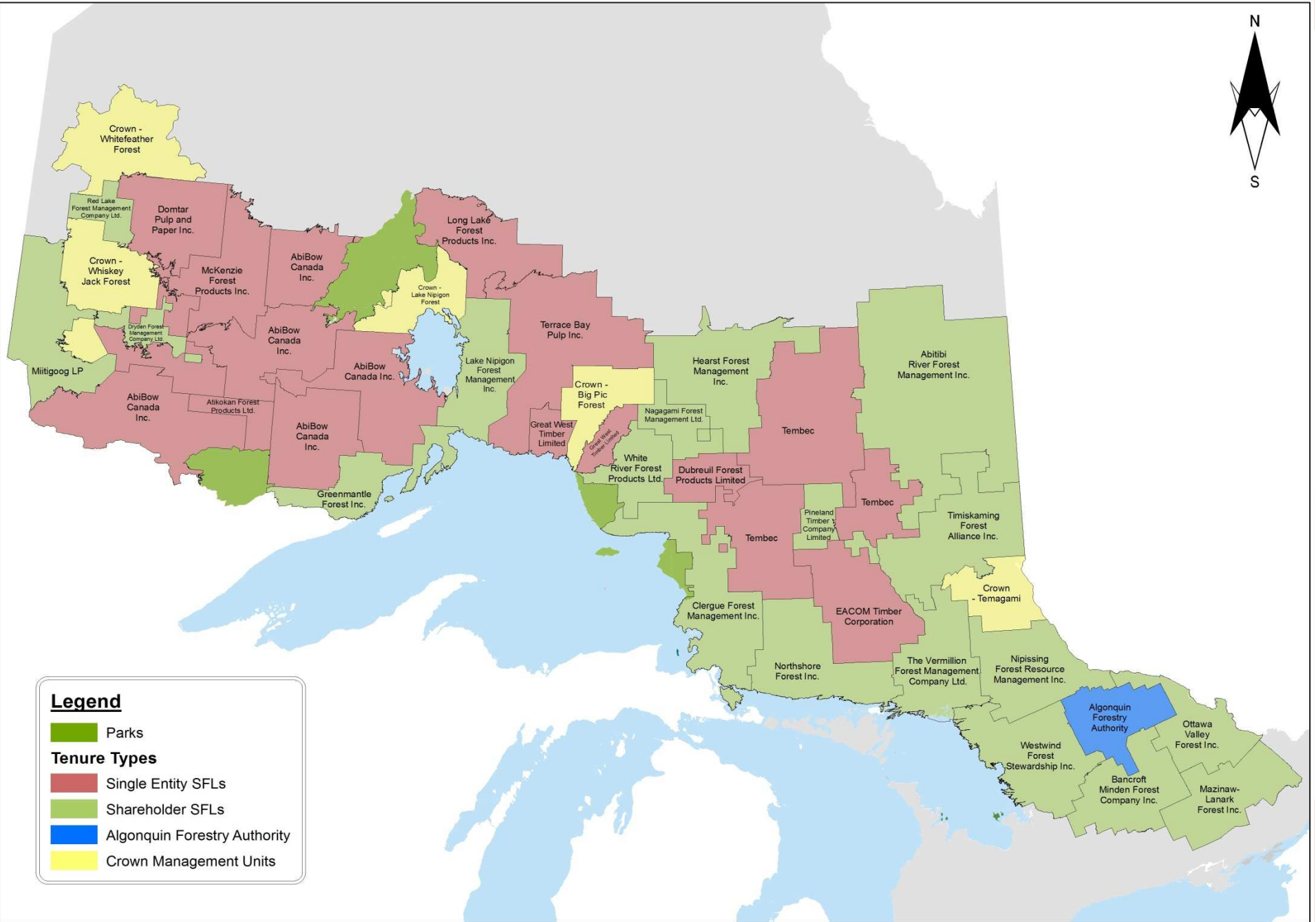
Challenges

- SFLs returning to the Crown
- Significant unutilized timber
- System not responsive
- Administrative pricing system

Objectives

- Greater market forces
- Discourage wood hoarding
- Allow for new entrants
- Greater local and Aboriginal involvement

Ontario Management Units 2011



Legend

- Parks
- Tenure Types**
- Single Entity SFLs
- Shareholder SFLs
- Algonquin Forestry Authority
- Crown Management Units

Tenure Modernization Objectives

- Design and implement a tenure system, within 5 – 7 years, that:
 - is more flexible and responsive
 - supports an industry of top performers
 - is based on sound economic principles
 - considers local circumstances
 - provides for the sustainability of Crown forest
- Establish competitive timber markets to:
 - create a “benchmark” price
 - provide opportunities for new entrants to acquire wood fibre
 - redistribute un-utilized timber
- Establish mechanisms to discourage timber “hoarding”
- Provide opportunities for meaningful involvement by local and Aboriginal communities

What would change?

- Two new governance models for sustainable forest licences would emerge:
 - Local Forest Management Corporations (LFMCs)
 - Enhanced Shareholder Sustainable Forest Licences (SFLs)
- Introduced enabling legislation, Bill 151, which if passed, would permit the creation of LFMCs through regulation
- Proposed amendments to the *Crown Forest Sustainability Act* (CFSA) to support meeting tenure modernization objectives
- In the next 5 – 7 years:
 - Propose up to 2 LFMCs
 - Significant shift from single entity & shareholder SFLs to Enhanced Shareholder SFLs
 - Maybe 1-2 single entity SFLs

Proposed Modified Approach

Local Forest Management Corporations (LFMCs)

- Propose to establish two as Operational Enterprise Crown Agencies
- Board of Directors / General Manager / Staff
 - Local and Aboriginal representation
- Appropriately sized management area
- Hold Sustainable Forest Licence
- Market and sell Crown timber
- Forest Renewal and Forestry Futures Trust charges would continue to apply to harvesting Crown forest resources
- Retain revenue from the sale of Crown timber

Proposed Modified Approach

Enhanced Sustainable Forest Licence (SFL)

- Convert “single” company & shareholder SFLs to “*Enhanced*” Shareholder SFL model with new features that include:
 - Shareholder boards with meaningful local and Aboriginal community involvement
 - Mechanisms to discourage the hoarding of timber
 - Provisions to allow for new entrants
 - Appropriately sized management areas
 - Some Crown timber sales would be based on an open market approach
- All Crown timber charges will continue to apply including payments to:
 - Forest Renewal Trust
 - Forestry Futures Trust
 - Consolidated Revenue Fund (CRF)

Pricing and Revenue Model

- The Crown timber pricing system that exists today (forest renewal, forestry futures and consolidated revenue charges) will remain the same for all areas,
- Data will be collected from open market sales on LFMCs and Enhanced Shareholder SFLs over next 3-5 years
- Collect sufficient data to support the establishment of a new Crown timber pricing system
- The LFMC would retain revenues generated from the sale of Crown timber with future dividend payments to CRF from net earnings

Proposed CFSA Amendments

See attached plain language summary and explanation of all the CFSA amendments proposed through Bill 151.

Some examples:

- Section 24 – Ability to issue an SFL to LFMC without a competitive process.
- Section 28 – Ability to prescribe conditions on licences, supply agreements and commitments by regulation
- Section 41.1 – Ability to cancel licences, supply agreements and commitments based on 3 grounds:
 - Facilitate issuance of an SFL to LFMC
 - To establish enhanced shareholder sustainable forest licences
 - Not sufficiently and consistently using forest resource
- Section 41.2 – Consolidates and enhances existing immunity provisions, adds new limitation of liability for cancellations (S 41.1) and prescribed T&Cs (S 28)
- Section 69(1) – Collecting information on pricing and purchases and sales transaction information

These components are instrumental to support tenure modernization objectives

The Path Forward

Moving forward, we will:

- Continue to engage all stakeholders and Aboriginal people on the development of detail design and implementation
- MNDMF, working with others, will establish criteria to evaluate LFMCs and Enhanced Shareholder SFLs
 - Results of this analysis will help inform future decisions

Our goals remain the same:

- Establish a solution for all Ontarians
- Put wood to work and improve the prosperity of Ontario's forest sector