

Forest Tenure Modernization in Ontario

**Overview Presentation
January 2013**

Things to keep in mind...

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- **Publicly held forest**

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- **Northern Ontario's history and cultural identity with the public forest**

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- **Publicly held forest**
- **Northern Ontario's history and cultural identity with the public forest**
- **The “age of complexity”**

What is Forest Tenure?

A suite of policies that address:

- How the public forest is governed and who manages it
- How companies get Crown wood
- How Crown wood is priced

Forest Tenure does not address (does not change):

- Existing forest management planning and forest sustainability processes or requirements

What is Forest Tenure?

How the province licences and allocates Crown forests

- Governed by legislation and legal arrangements:
 - define rights and responsibilities via conditions

Forest Resource Licences (up to 5 years)

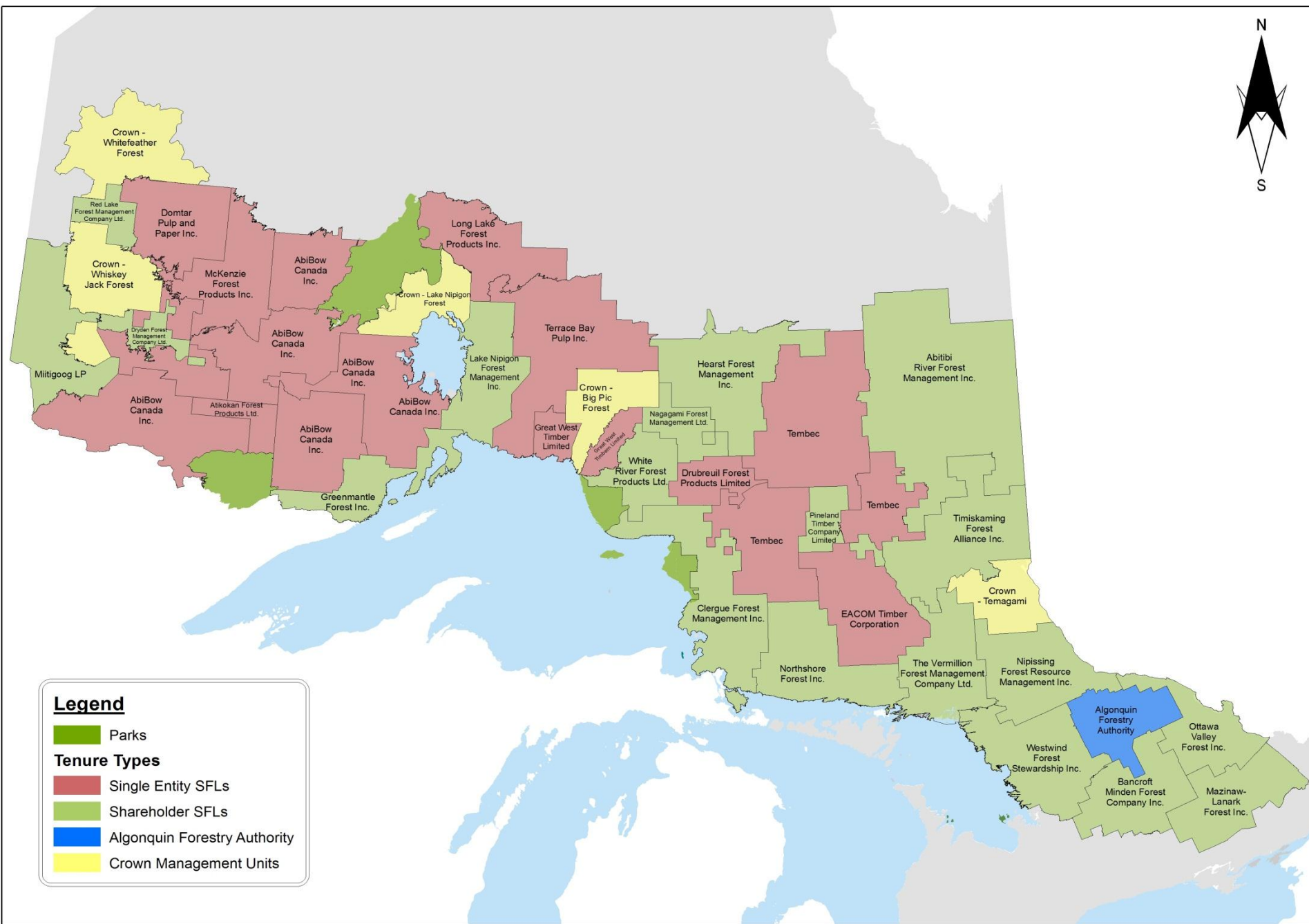
Sustainable Forest Licences (20 years)

Supply Agreements (varying terms)

Forest Tenure Objectives:

1. Create a more economically efficient system for wood allocation and pricing.
2. Provide opportunities for meaningful involvement by local and Aboriginal communities.
3. Provide for the sustainability of the Crown forest.

Ontario Management Units



Forest Tenure Modernization - Vision

- Establishment of 2 Local Forest Management Corporations
- Transitioning “single entity” and existing shareholder SFLs to Enhanced Sustainable Forest Licences (eSFL)
- Aboriginal tenure arrangements
- 20 – 25 Management Areas (fewer management units over all)
- Significant data collected / options examined to develop a functioning timber market in Ontario.

Ontario Forest Tenure Modernization Act, 2011

- Enables the first changes required to implement tenure modernization
- Came into force on June 1, 2011
- Enables the establishment of **Local Forest Management Corporations (LFMCs)**
 - Can establish up to two LFMCs in 1st five years
 - Outlines generic structure and sets out its key attributes
- Concurrently amended the Crown Forest Sustainability Act, 1994 to support tenure modernization objectives

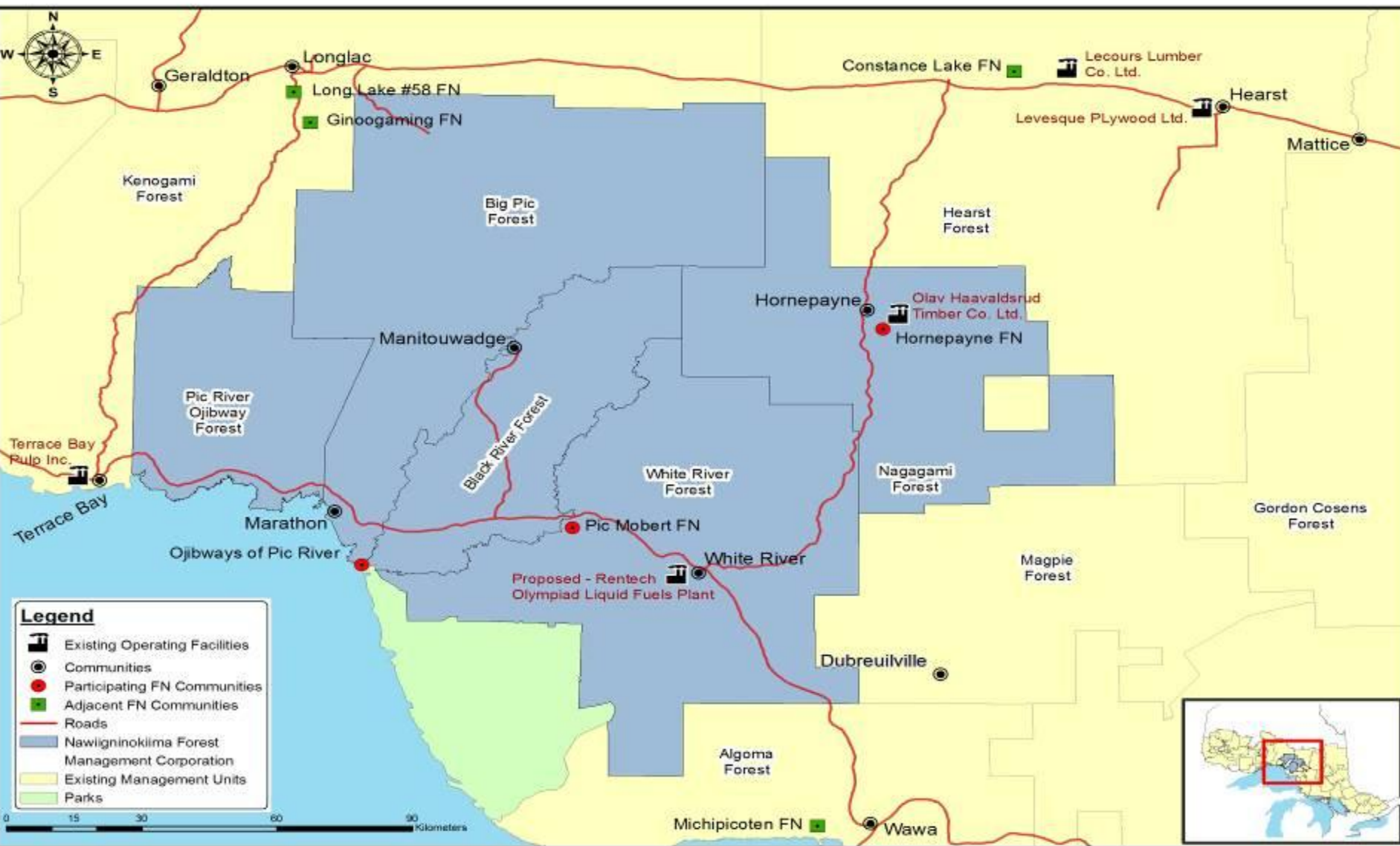
Local Forest Management Corporations (LFMC's)

- Self-sustaining Crown agencies that will sustainably manage Crown forests:
 - Issued Sustainable Forest Licence/s (SFLs)
 - Provide for economic development opportunities for aboriginal peoples.
 - Recognizing the importance of local economic development.
 - To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
- Crown charges to Forest Renewal and Forestry Futures Trust
- Any net revenues can be used to support LFMC objectives
- After 5 years review LFMC(s) and other models before making recommendations on next steps



Nawigninokiima Forest Management Corporation

Proposed Management Area



Transition to Enhanced SFLs

- To be guided by Minister endorsed document:

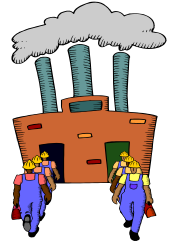
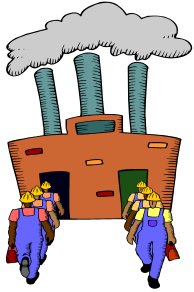
“Principles for Enhanced Sustainable Forest Licence Implementation”

- Developed via a collaborative effort among a number individuals and working group representatives
- Provides context for transition, principles and terms
- Directs the process to be locally-led, inclusive, and collaborative to reflect locally-based solutions

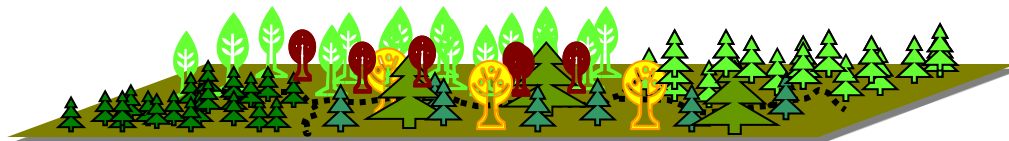
Highlights of “Principles Document”

.... Key Characteristics of Enhanced SFL Holders

1. Governance
2. Local Aboriginal Community & Local Community Involvement
3. Sustainable Forest Management Delivery
4. Wood Use
5. New Entrants
6. Economic Viability and Competitive Wood Costs

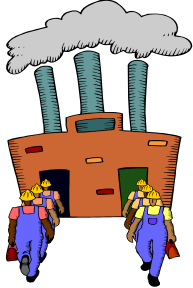


Sustainable Forest Licence (SFL)

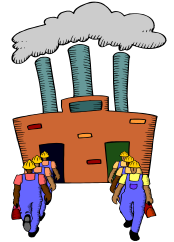


Crown (public) Forest

Shareholder
(SFL Co. owner)



Shareholder
(SFL Co. owner)



SFL Co. (private corporation)

Mandate of SFL Co:

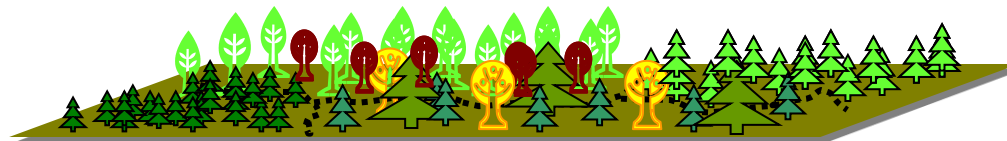
- Manage Crown forest to enable economic benefits for all, while achieving social and environmental goals.

Composition of Board of Directors

- Directors representing owners of SFL Co.

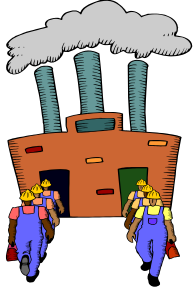
General Manager / Forest Manager

- Manages for interests of shareholders

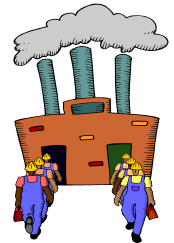


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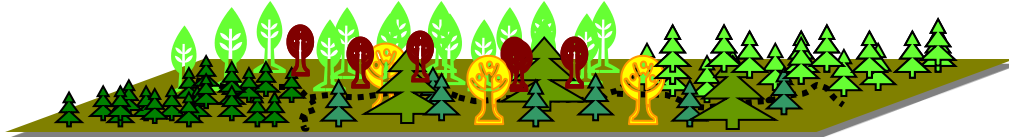
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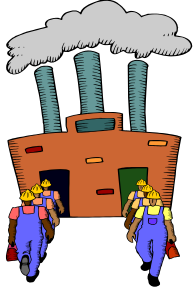
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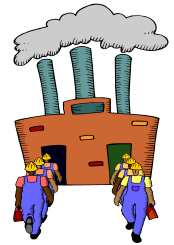


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Enhanced SFL Co. (private corporation)

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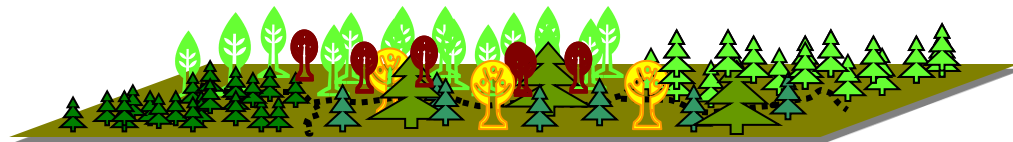
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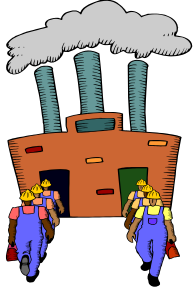
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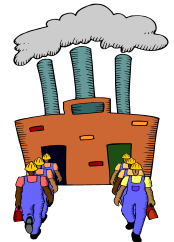
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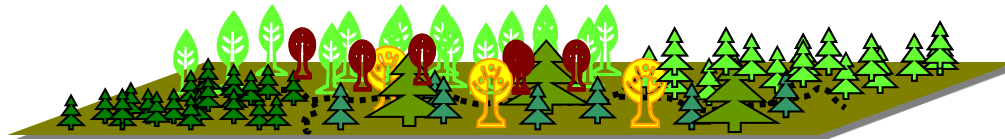
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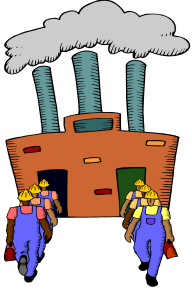
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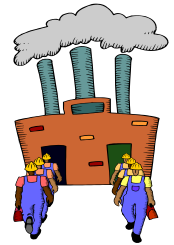
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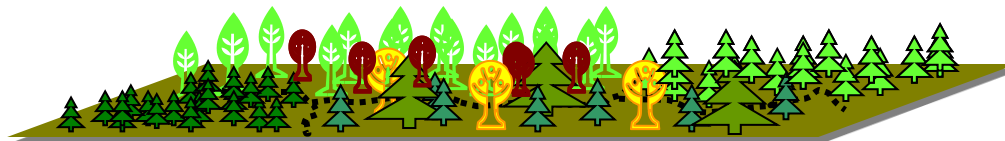
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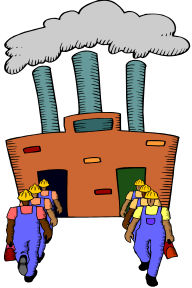
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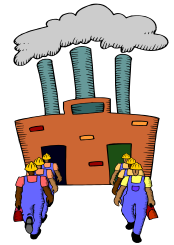
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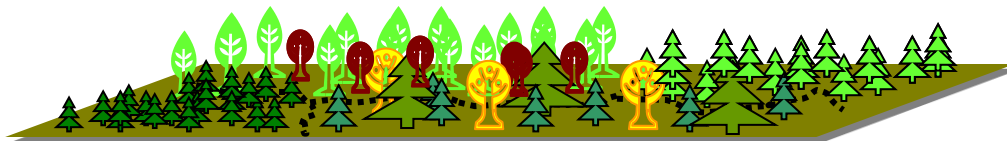
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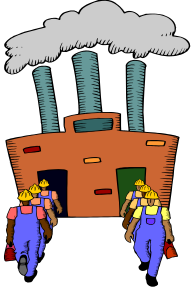
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- Directors representing owners of ESFL Co.
- Independent Directors - Local & Aboriginal Communities



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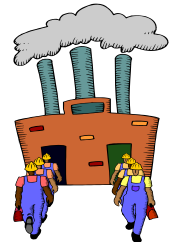
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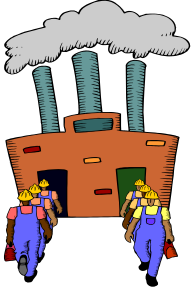
General Manager / Forest Manager

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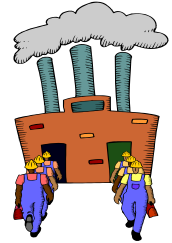
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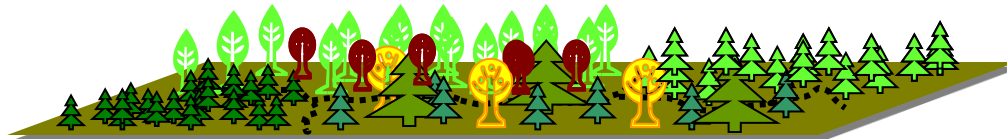
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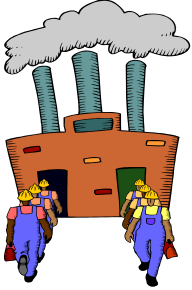
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- Existing wood supply commitments will be remain



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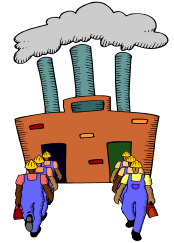
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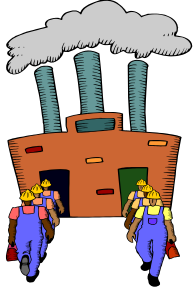
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Allow new entrants to become shareholders



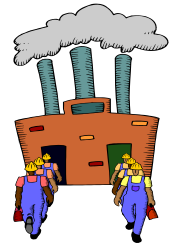
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General Manager / Forest Manager

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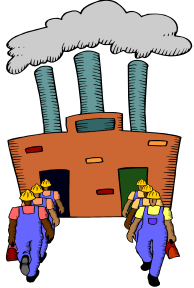
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Allow new entrants to become shareholders

Economic viability and competitive wood costs



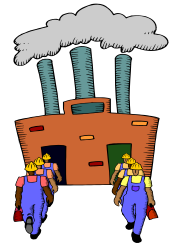
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Enhanced SFL Co. (private corporation)

Mandate of E SFL Co:

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Good Corporate Governance:

- Manage corporation to achieve mandate

Composition of Board of Directors

- Directors representing owners of ESFL Co.
- Independent Directors - Local & Aboriginal Communities

General Manager / Forest Manager

- Reports to the Board of Directors.

Use wood supply, or make it available for someone else

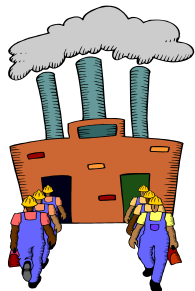
- Existing wood supply commitments will be remain

Allow new entrants to become shareholders

Economic viability and competitive wood costs



Customer



Customer



Customer



Customer



Customer



Customer



Customer



Nawiinginokiima FMC (Crown Agency)

Mandate:

- Manage Crown forest to enable economic benefits for all, while achieving social and environmental goals.

Good Corporate Governance:

- Manage corporation to achieve mandate

Composition of Board of Directors

- **100% of Directors are Independent** (includes local and Aboriginal communities)

General Manager / Forest Manager

- Manages for interests of shareholders

Use wood supply, or make it available for someone else through competitive market mechanisms

- Existing wood supply commitments will be remain

Economic viability and competitive wood costs



Enhanced SFL Transition Steps

Pre-Transition:

Pre-Engagement
(where required)

Step 1:

Formal Transition “Kick-Off” and
Identification of eSFL Participants

Step 2:

Preparation of Forestry
Futures Trust Application

Step 3:

FFT Application
Review/Approval

Step 4:

A: Development of Conceptual Business
Arrangement

B: Development of Formal
New Business Arrangement

C: Development of
Business Plan

Step 5:

SFL Amendment or Transfer and
Amendment or Issuance to new
eSFL Company

Questions/Discussion



Highlights of “Principles Document”

.... Governance

- The composition and structure of eSFL Companies will be flexible; address local circumstances and interests
- Board Directors representing shareholders with financial obligations will have proportional influence over financial decisions of the eSFL Company...
- No individual member will have the ability to directly or indirectly control the eSFL Company.
- All Directors have a fiduciary duty to make decisions in the best interest of the eSFL Company.
- Directors shall provide high-level leadership, strategic planning, ...
- The Board of Directors will ... foster good governance practices.

Highlights of “Principles Document”

.... Local Aboriginal & Community Involvement

- Local Aboriginal Communities and Local Communities will be provided the opportunity to participate in the eSFL Company
- The Crown will honour its duty to consult and, where appropriate, accommodate Aboriginal and treaty rights

Highlights of “Principles Document”

.... Wood Use and New Entrants

- Harvest and wood supply commitments will be respected
- Current shareholders will have the option to become/remain shareholders in the eSFL
- Existing wood supply and harvest commitment holders will have the option to become shareholders
- The eSFL Company will ensuring available Crown wood is used or made available to others for use.
- The Business Agreement will provide opportunities for membership changes including attrition and recruitment

Highlights of “Principles Document”

.... Forest Management Delivery

- An **Independent General Manager** shall report to the Board of Directors with primary responsibility for sustainable forest management

.... Economic Viability and Competitive Wood Costs

- The eSFL transition process will advance opportunities to create efficiencies for all parties and will **promote competitive wood costs**.
- A collaborative process will be established to **develop criteria to evaluate the performance of various models** as a means to identify and promote future improvements

Forest Tenure Goals:

Goals:

1. Support a strong, vibrant and diverse forest industry while maintaining a healthy and productive Crown forest
2. Enhance the social well-being of all Ontarians by:
 - optimizing the values derived from the Crown forest and,
 - recognize the heightened interest of those who live in and near the Crown forest
3. Be transparent, flexible, responsive, open and accountable to the people of Ontario