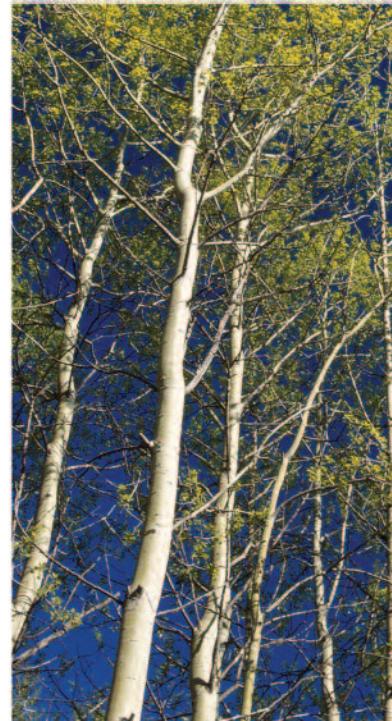


# Government of Alberta Response to FISC Recommendations on Forest Industry Competitiveness



Forest Industry Sustainability Committee







## MINISTER'S MESSAGE

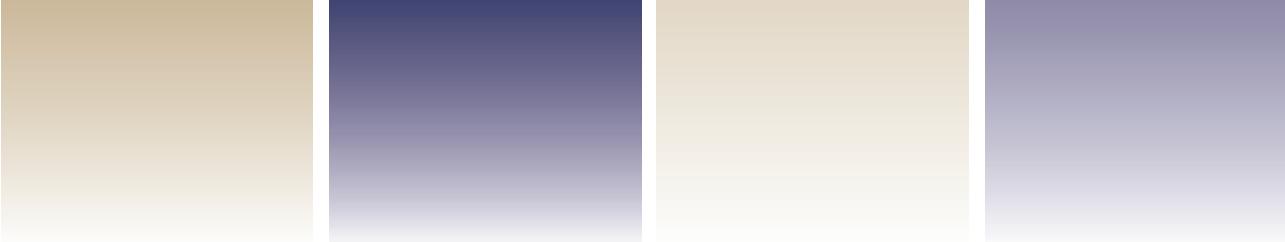
I received the Forest Industry Sustainability Committee's (FISC) report, Recommendations for Enhancing Alberta's Business Model, in August 2008. Since then, market conditions have further deteriorated, resulting in still more forestry mill closures and curtailments. We recognize that under current conditions, almost every forest products company that is still operating is losing money. I want to emphasize that in addition to the Government of Alberta's responses to the FISC recommendations, the Government of Alberta will continue to work closely with Alberta's forest sector and will consider any and all additional actions that can assist the industry while complying with Canada's obligations under the Softwood Lumber Agreement.

The FISC Committee made 49 recommendations to the Government of Alberta to restore the competitiveness of Alberta's forest sector. I am pleased to report that we are accepting and acting on 43 of these 49 recommendations. In many instances, our responses involve coordinated actions by several Government Ministries to refine and extend existing policies and practices, and to carry on with new initiatives already underway – regional planning under the Land-use Framework, for instance. In other responses, we commit to institute new measures to prepare for emerging developments, such as bio-economy opportunities.

Of the recommendations not accepted, some risked placing Alberta in contravention of the Softwood Lumber Agreement with the United States, and I expect others to be revisited as the Government's fiscal capacity improves.

My thanks go to the FISC members for their conscientious and determined work, and to the stakeholders who provided comment and insight to guide this important review of Alberta's forest business. I also thank my fellow Government Ministers and their staffs for working with Sustainable Resource Development to develop the Government response.

In light of the changed economic conditions since the FISC report was submitted to Government, I have asked my department to continue working with other Ministries and the forestry industry sector to identify additional actions that can and should be taken. I have also directed the formation of a cross-ministry working committee to co-ordinate government's response to forestry issues.



The Government of Alberta, and especially those of us in SRD, are committed to keeping forestry as a key contributor to a strong economy and a healthy environment, and to forest workers and communities as essential to the social fabric of Alberta. Our response to the FISC recommendations is an important step forward, but we will not be satisfied until, working together, we have restored the overall competitiveness of our forest sector.

Hon. Ted Morton  
Minister, Sustainable Resource Development



## BACKGROUND

The report's recommendations were reviewed with all Government of Alberta ministries that would be involved in or affected by their implementation.

The Forest Industry Sustainability Committee (FISC) was formed by the Government of Alberta to investigate options for strengthening the global competitiveness of the province's forest sector. Comprised of three MLAs and three senior forest industry executives, FISC engaged in extensive stakeholder dialogue before presenting its final report to the Minister of Alberta Sustainable Resource Development in August 2008.

The report, *Forest Industry Competitiveness: Recommendations for Enhancing Alberta's Business Model*, contains 20 main recommendations, many of which contain additional sub-recommendations, for a total of 49. The main recommendations are designed to enable seven key strategies to enhance and sustain the province's forest industry. The strategies are:

1. Rationalizing the planning and management system
2. Bringing tenure into alignment
3. Managing strategic costs
4. Addressing infrastructure needs
5. Capitalizing on Alberta's energy and bio-economy interest
6. Diversifying products and markets
7. Enhancing communication and branding

## I. RATIONALIZING THE PLANNING AND MANAGEMENT SYSTEM

(Clarifying roles of government and industry)

Since the report was prepared, the Government of Alberta introduced the Land-use Framework to guide regional land-use planning in the province; seven regional plans are expected to be developed by 2012. In spring 2009, the Government of Alberta will also introduce legislation to support the Land-use Framework. These actions address issues related to forest planning and management systems outlined in the FISC report.

What the report says about this theme:

Demand is increasing for access to public land and resources in Alberta. So, too, is the need to develop integrated resource management systems to facilitate government and industry alignment and deliver optimal value to Albertans. These circumstances have stimulated development of Alberta's Land-use Framework, which is designed to balance environmental factors with economic and social considerations. A clear understanding of the roles of government and industry in land-use management and planning lies at the heart of enhancing Alberta's forest business model.

### **RECOMMENDATION I:**

The Government of Alberta should implement the Land-use Framework (LUF) and assume full responsibility for land use and land management. LUF creates an appropriate land management model under which the variety of regional and resource management plans, as well as implementation plans, can be developed to fully integrate users of the landbase.

**Response:** Support the recommendation in principle. Regional planning under the Land-use Framework will integrate land planning and land use to meet economic, environmental and social objectives at the regional level. Sustainable Resource Development will provide input and be an advocate for issues within its mandate, including forestry. Once Cabinet approves a regional plan, it will be binding on industry, municipalities, other land planners and land users, and on the Crown.

**Next steps:** Regional plans developed under the Land-use Framework will provide long-term strategic vision. Ministries will provide input into the regional planning process. Sustainable Resource Development is a strong advocate for sustainable forest management within this process and beyond.

Recommendation 1 has two additional sub-recommendations



#### **RECOMMENDATION 1 (A):**

The Government of Alberta should be responsible for all stewardship functions and costs not considered core to development and delivery of resource management and operating plans.

**Response:** Suspend a response to this recommendation. The Alberta government is not in a fiscal position to assume additional costs at this time. The forest industry sector has an essential role in active forest stewardship, and government is aware that this responsibility comes with a cost as well as a business benefit. Roles and responsibilities in forestry are defined, but work is required to achieve a consistent understanding.

**Next steps:** In the fall of 2009, the Alberta government will publish a clarification of the roles and responsibilities of government and forest tenure holders.

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#### **RECOMMENDATION 1 (B):**

Industry should develop resource management plans that are consistent with LUF.

**Response:** Support the recommendation, as it is consistent with implementing regional plans under the Land-use Framework.

**Next steps:** Forest tenure holder plans will be required to be consistent with regional plans.

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#### **RECOMMENDATION 2:**

A land-use zoning system should be developed to enable the achievement of different management objectives. Zoning should be used to increase certainty and security, minimize conflict on the landbase, improve integration among resource users and reduce the environmental footprint of development.

**Response:** Support recommendation in principle, as it is consistent with the development of regional plans under the Land-use Framework.

**Next steps:** Regional plans will provide appropriate land use designations for management objectives, and will provide guidelines and direction for resource management.

### **RECOMMENDATION 3:**

The GoA should establish a comprehensive resource information system and acquire the data necessary to accomplish its land use, management and stewardship responsibilities. Greater collaboration among land users, sharing of information and a sound system of monitoring, evaluation and reporting are needed for proper land management.

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**Response:** Support the recommendation. The GeoDiscover Alberta initiative is being developed to create a system for shared access to private and public land-use information.

**Next steps:** The Government of Alberta will develop a comprehensive resource and geographic information system (GeoDiscover Alberta).

Recommendation 3 has four additional sub-recommendations

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#### **RECOMMENDATION 3(A):**

The GoA should initiate acquisition of relevant data for planning and other purposes.

**Response:** Support the recommendation in principle. Up-to-date data is a prerequisite for any level of planning.

**Next steps:** The Government of Alberta will develop a comprehensive resource and geographic information system (GeoDiscover Alberta).

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#### **RECOMMENDATION 3(B):**

Alberta should continue to use the Canadian Standards Association's Z809-2002 sustainable forest management standard to guide development of integrated land management plans.

**Response:** Support the recommendation in principle. Note that CSA Z809-2002 is a forest management standard, and is not being specifically followed in integrated land management planning.

**Next steps:** Although CSA Z809-2002 is not an integrated land management standard, the principles are similar, and will be applied to land management planning.





#### **RECOMMENDATION 3(c):**

The Government of Alberta should consider assuming responsibility for achieving sustainable forest management third-party certification for land use and land management planning.

**Response:** Do not support the recommendation. Government uses best practices to develop guidelines for land use and land management planning.

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#### **RECOMMENDATION 3(d):**

The Government of Alberta should encourage industry to have credible third-party certification of their operations.

**Response:** Support the recommendation. Government policy is to support industry in achieving third-party certification.

**Next steps:** Government will not endorse any one particular certification system over others. Industry will determine the best certification system based on their individual circumstances.

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#### **RECOMMENDATION 4:**

The Government of Alberta should align legislation, regulation and policy to enable implementation of the proposed planning hierarchy recommended by FISC (see Figure 1 of the report). Wholesale changes are needed to mandate sustainable forest management, recognition of the new roles and responsibilities, restructuring and rationalization provisions, compensation and other relevant issues.

**Response:** Support the recommendation. Aligning legislation, regulations and policy across government is a feature of legislation and regional planning under the Land-use Framework. The Alberta government supports the proposed planning hierarchy described in this report.

**Next steps:** The Alberta government is introducing legislation in spring 2009 to mandate the co-ordination and integration of land use legislation, regulation and policy.

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## **RECOMMENDATION 5:**

The Government of Alberta should mandate appropriate integration at all levels of the planning and management hierarchy recommended by FISC (see Figure 1 of the report). This alignment of resource users would foster more efficient operations and enhance environmental performance through a reduction of the industrial footprint.

**Response:** Support the recommendation. Regional plans under the Land-use Framework will provide direction for appropriate integration at the regional level. Trade-offs at other levels of land management and planning must be consistent with the direction in the regional plans.

**Next steps:** Alberta is introducing legislation in spring 2009 to mandate the co-ordination and integration of land use legislation, regulation and policy. The Government of Alberta will develop and implement regional plans.

Recommendation 5 has one additional sub-recommendation

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## **RECOMMENDATION 5(A):**

The Government of Alberta should create an integrated land management fund with revenue from all land-use dispositions.

**Response:** Suspend a response to this recommendation. Government allocates General Revenues, including disposition revenues, based on Albertans' priorities, including health care, education and social needs. The current fiscal reality is not an appropriate time to direct revenues into a separate fund. Government may review this recommendation in the future.





## 2. BRINGING TENURE INTO ALIGNMENT

What the report says about this theme:

Forest tenure is the primary government instrument to allocate timber resources. Alberta's forest tenure system has been successful in meeting its objectives – i.e., enhancing security of fibre, providing for community stability, enhancing investment in mills and timber extraction infrastructure. However, current political, economic and social circumstances have raised questions that were not present when the tenure system was first established.

### RECOMMENDATION 6:

The Government of Alberta should ensure the forest tenure system is aligned to deliver the land use planning and management model. The scope of this work should include but note be limited to roles and responsibilities, rights and obligations, dispute resolution, compensation, cooperation and other relevant matters.

**Response:** Support the recommendation. Alberta's forest industry benefits from tenure terms and conditions that are adaptable and flexible to support sustainable forest management and industry operations. The tenure system currently addresses conditions such as roles and responsibilities, rights and obligations, dispute resolution, compensation, cooperation and other relevant matters.

**Next steps:** Flexibility may be enhanced to help the industry align to requirements and directions in regional plans under the Land-use Framework.

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### RECOMMENDATION 7:

Government should consider immediate changes to the tenure system that will enable industry to rationalize fibre supply and reduce costs. These changes could improve the ability of industry to respond to current challenges, be less vulnerable for trade action, position the sector for the future and facilitate the entrance of new operators to the market.

**Response:** Support the recommendation. Government is addressing specific issues in the tenure system to maintain flexibility, but recognizes that some industry decisions can have an economic impact on local communities.

**Next steps:** The Government of Alberta will complete an assessment of fibre rationalization by September, 2010. Alberta also will consult with stakeholders and communities before making policy changes.

Recommendation 7 has four additional sub-recommendations

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**RECOMMENDATION 7(A):**

Eliminate appurtenancy requirements on all forest tenures (with due consideration for existing FMA requirements).

**Response:** The recommendation is not applicable since appurtenancy clauses do not exist in legislation or policy.

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**RECOMMENDATION 7(B):**

Make forest tenures openly transferable.

**Response:** Support the recommendation. Transferability will help tenure holders to relocate wood to uses with the highest value.

**Next steps:** Government is taking steps to remove impediments to tenure transferability, to align operations with regional plans and to help tenure holders to make most efficient use of fibre resources. One such step will be through the consequential amendments to the Forests Act in spring 2009 in conjunction with the legislation to implement the Land-use Framework.

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**RECOMMENDATION 7(C):**

Make forest tenures divisible provided it is compatible with sound forest management principles.

**Response:** Support the recommendation. Being able to partition their holdings helps tenure holders to achieve their individual advantages.

**Next steps:** Government is taking steps to remove impediments to tenure divisibility, to align operations with regional plans and to help tenure holders to make most efficient use of fibre resources. One such step will be through the consequential amendments to the Forests Act in spring 2009 in conjunction with the legislation to implement the Land-use Framework.





#### **RECOMMENDATION 7(D):**

Align management and operational strategies to short- and long-term objectives—Cut constraints, harvest profiles and other parameters should be flexible to enable achievement of management and market objectives.

**Response:** Support the recommendation in principle. Cut constraints, harvest profiles and other parameters in forest management (for example, watershed, wildlife, biodiversity) are managed to meet environmental objectives while allowing the forest industry to address market objectives. The trade-offs between these values is analyzed and managed in forest management plans, which are prepared by the forest industry. These plans are normally updated each decade, or more frequently if there have been significant unanticipated changes, for example, to address mountain pine beetle infestations or risk.

**Next steps:** The Alberta government supports the forest management plans prepared by the forest industry.

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#### **RECOMMENDATION 8:**

The GoA should ensure the relevancy of compensatory funding guidelines and their use.

**Response:** Support the recommendation in principle. As a matter of fairness, compensation should be appropriate and relevant to all parties.

**Next steps:** Ongoing reviews are a matter of course.

Recommendation 8 has two additional sub-recommendations

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#### **RECOMMENDATION 8(A):**

The methodology of Timber Damage Assessment (TDA) calculations should continue to be reviewed and adjusted where necessary, to ensure it remains up to date and relevant.

**Response:** Support the recommendation. TDA is a viable, market-reflective guideline for establishing compensation between land users.

**Next steps:** Lands Division (Sustainable Resource Development), in consultation with industry, regularly conducts reviews of the TDA system. The next review is scheduled for spring, 2010.

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#### **RECOMMENDATION 8(B):**

All compensation collected through compensation (i.e. TDA) by Forest Management Agreement holders and by government should be reinvested in the forest resource.

**Response:** Support the recommendation in principle. Government recognizes that sustaining the forest resource requires investment.

**Next steps:** The Government of Alberta is including clauses regarding the use of compensatory funds in Forest Management Agreement renewals. Government will continue to look for opportunities to reinvest its compensation funds appropriately in the forest resource.

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#### **RECOMMENDATION 9:**

The GoA should ensure the tenure system enables the realization of the carbon economy. There is a need to align government climate change and forest policy regarding a clear and sustainable role in Alberta's carbon and energy market.

**Response:** Support the recommendation. Government recognizes that carbon is of growing environmental and economic importance.

**Next steps:** Alberta Environment has the authority to establish carbon credit and offset protocols, and to resolve issues of carbon ownership. Sustainable Resource Development advises with Environment on forest carbon protocols. Government will address carbon issues province-wide. If necessary, the Alberta will amend the tenure system to align it with Government of Alberta policy on carbon ownership.





### 3. MANAGING STRATEGIC COSTS

What the report says about this theme:

The competitive advantages of cost control and low-cost production have been a fundamental business strategy for Alberta's forest industry. This strategy was particularly important considering Alberta's unique challenges – i.e., distance to markets and deep-sea ports. Since 2004, a combination of provincial, national and international economic forces has significantly eroded Alberta's advantages in comparison with other Canadian jurisdictions. Addressing this change will require joint efforts by Alberta-based industries, the Alberta government, and other levels of government.

#### **RECOMMENDATION 10:**

The Alberta Economic Development Authority should accelerate its efforts in leading a provincial competitiveness strategy that addresses broad, systemic competitiveness issues that will have a positive and material effect on business in Alberta. Matters such as labour, energy and rail should be addressed through this multi-sector forum and concrete recommendations made to government within a six-month period.

**Response:** Support the recommendation. The Authority prepared its report at the request of government in response to a recommendation of the Forest Industry Sustainability Committee.

**Next steps:** The Alberta Economic Development Authority has prepared the report, *Alberta's Competitive Position in the Global Economy*, concerning economic conditions in the province. Government's response to the recommendations in the Authority's report will be determined separately.

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#### **RECOMMENDATION 11:**

The Government of Alberta should adopt a cross-ministry approach to resolving strategic cost issues, and ensure industry in Alberta maintains its competitive advantage over other North American jurisdictions.

**Response:** Support the recommendation. Government understands the transportation, labour, energy and other cost challenges that affect Alberta's industries, including forestry, in this global market.

**Next steps:** The Government of Alberta will enhance the business competitiveness climate for all industries in Alberta through existing cross-ministry mechanisms and dialogue. By fall 2009, Alberta will establish a cross-ministry working committee to address strategic cost issues.

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**RECOMMENDATION 12:**

The GoA should encourage production efficiencies and modernization through competitive tax regimes. Examples could include municipal tax treatment of plants and equipment, and accelerated capital cost allowances.

**Response:** Support the recommendation. Provincial taxes are competitive, and government continues to identify opportunities to enhance business competitiveness, including taxation. For example, Municipal Affairs is reviewing tax rates, policies, procedures and depreciation standards for all regulated industrial properties. Both provincial and federal governments have introduced tax credits for scientific and research, and accelerated capital cost allowances.

**Next steps:** The Government of Alberta is working with other levels of government to seek opportunities to enhance the business competitiveness climate for all sectors of the economy in the most efficient and beneficial manner. Alberta will achieve efficiencies within national and international fiscal realities.

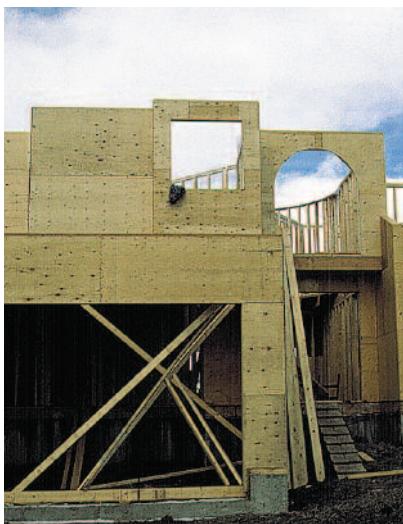
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**RECOMMENDATION 13:**

The GoA should revise Holding and Protection charges.

**Response:** Support the recommendation in principle. Forest tenure holders are the only industry in Alberta paying Protection charges, and Holding charges vary widely by operator.

**Next steps:** By fall 2009, Sustainable Resource Development will assess the Holding and Protection fee structure.





## 4. ADDRESSING INFRASTRUCTURE NEEDS

What the report says about this theme:

Transportation costs play an increasing and substantial role in the competitive position of Alberta's economy. Successful business models rely on careful management of services and the cost of delivering raw materials to mills and finished products to markets. Planned and organized primary infrastructure is required to facilitate organized growth, enable integration of all uses and ensure a minimal footprint.

### **RECOMMENDATION 14:**

The GoA should make necessary resource road infrastructure investments.

**Response:** Support the recommendation. Resource roads also are a benefit to local municipalities, other businesses and industries; infrastructure investments create jobs.

**Next steps:** Alberta Transportation and Infrastructure will seek increased funding allocations for road and bridge construction programs through the Municipal Resource Roads and the Provincial Roads to Resources programs. Enhanced funding would result in increased stability for natural resource based communities, assist integrated land management on public lands and improve public safety where resource companies and the public share roads.

Recommendation 14 has two additional sub-recommendations

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### **RECOMMENDATION 14(A):**

When industry constructs or upgrades primary roads, it should be eligible for cost recovery based on proportion of public use.

**Response:** Do not support the recommendation. Government recognizes that roads are a significant cost to industry. However, industry constructed or upgraded these roads for their own purposes with the understanding that the public would have access. This issue may be given future consideration as part of integrated land management plans.

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#### **RECOMMENDATION 14(B):**

Consideration should be given to the establishment of a resource road authority responsible for planning and developing resource access throughout the province.

**Response:** Support the recommendation in principle. Government recognizes that coordinated planning and development of resource roads reduces industry's footprint.

**Next steps:** Integrated land management initiatives are coordinating road planning and development, and regional plans will further address this issue. Alberta government departments will coordinate their efforts in road development.

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#### **RECOMMENDATION 15:**

Alberta should seize on the opportunities available to generate bio-products from Alberta's forests. The feasibility of each of these opportunities will need to be determined.

**Response:** Support the recommendation in principle. The bio-economy presents a significant potential to Alberta forestry.

**Next steps:** The Alberta government has a range of plans and supports in place to help industry realize the potential of emerging opportunities in the bio-economy.

Recommendation 15 has three additional sub-recommendations

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#### **RECOMMENDATION 15(A):**

Fund and complete a detailed technical and economic viability study of bio-economy potentials to identify opportunities and barrier to full-scale implementation.

**Response:** Support the recommendation in principle. Government agrees it is necessary to understand the potential of the bio-economy. A number of plans, research projects and reports, including Alberta's Nine-Point Bioenergy Plan, already identify opportunities in the emerging bio-economy. A Bio-mass Opportunity Supply Model (BiOS) is expected to be completed in the summer of 2009. The model will assess bio-mass volumes and cost to deliver them to each mill site.





**Next steps:** Government will identify bio-mass assessments to date. Government will continue to fund the Alberta Bio-Material Commercialization Initiative.

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**RECOMMENDATION 15(b):**

Support the implementation of research elements contained in the Fibre Road Map, a study completed by the Alberta Forestry Research Institute (AFRI) in 2005.

**Response:** Support the recommendation in principle. Research to identify new uses for wood fibre will enhance the value of Alberta's forest products and create new opportunities for the industry.  
(Note: The Fibre Road Map was produced by FPInnovations and Advanced Education and Technology in 2005.)

**Next steps:** Advanced Education and Technology will continue to pursue research and technology development, and monitor and assess the status of forest-based bio-economy initiatives. The Government of Alberta will evaluate what has been accomplished before moving to implementation phase.

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**RECOMMENDATION 15(c):**

Support the establishment and funding of a Bio-Products Centre of Excellence.

**Response:** Support the recommendation. Funding (\$9 million over 3 years) has been directed to the new Alberta Bio Materials Development Centre to support bio-economy business development, delivering directly on the Fibre Road Map referenced in recommendation 15(b).

**Next steps:** Alberta will continue its research efforts in this regard, and will continue to support Western Centre(s) of Excellence based in Alberta as well as the commercialization of biomass initiatives. The proposed Energy and the Environment Organization and the Bio-Industries' Organization as proposed under the recently-tabled Alberta Research and Innovation Act (Bill 27) would have the mandate to research areas of interest in the bio-economy.

## 5. CAPITALIZING ON ALBERTA'S ENERGY AND BIO-ECONOMY INTERESTS

What the report says about this theme:

Successful development of a robust bio-economy will be a key to maintaining and enhancing forest industry competitiveness. The opportunity to stimulate growth in this sector is enormous, and Alberta's forest industry is well positioned to capitalize on that opportunity. Alberta has a number of good strategies to implement a bio-economy sector; these strategies require Government of Alberta and Federal Government support to be realized.

### **RECOMMENDATION 16:**

The GoA should capitalize on the opportunities available from bio-energy. The presence of the energy sector on the landscape and its compelling need to offset carbon emissions is a driving force on Alberta's landscape.

**Response:** Support the recommendation. The Alberta government has made a commitment to support alternative energy resources and the environment.

**Next steps:** The Government of Alberta is exploring opportunities in bio-energy, and forestry's role in a green economy.

Recommendation 16 has six additional sub-recommendations

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### **RECOMMENDATION 16(A):**

The GoA should undertake a comprehensive review of the potential for forest biomass generation and utilization. This analysis should be comprehensive, with short-term emphasis on biomass at risk from mountain pine beetle and over-mature deciduous resources not currently being utilized by the commodity forest industry.

**Response:** Support the recommendation in principle. The Government of Alberta relies on the findings of the 2005 FPInnovations study, Getting Value from Every Fibre (the Fibre Road Map), to identify forest biomass potential and opportunities. The 2007 FPInnovations report, Inventory of Wood Biomass From Harvesting Residues and Non-Merchantable Forests in Alberta, and the Bio-mass Opportunity Supply Model (BiOS) being developed by FERIC, directly support this recommendation. Updated forest management plans are quantifying available short-term fibre supplies throughout the province, taking into consideration biomass at risk from mountain pine beetle and over-mature deciduous.





**Next steps:** The Government of Alberta will evaluate demands for fibre volume as new technologies and processes evolve, and encourage FERIC to continue to provide valuable technology transfer to facilitate use of the BiOS model.

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**RECOMMENDATION 16(B):**

The GoA should extend the Nine-Point Bio-Energy Plan for an additional five years and add significant new resources to stimulate additional investment. Criteria for eligibility should encourage maximum participation by all forest companies.

**Response:** Support the recommendation in principle.

**Next steps:** Alberta Energy expanded the program's eligibility criteria and replaced the funding cap with a graduated scale. Along with the renewable Energy Producer Credit Program, Alberta has allocated a total of \$239 million to support the expanded production and marketing of bio-energy and bio-fuels programs. Extension of grant programs to March 31, 2011, was announced in December 2008 and grant programs were amended to allow projects going into construction to receive funding beyond the \$5 million cap. Review of the Producer Credit Program in 2009 may result in extension of the program beyond 2011.

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**RECOMMENDATION 16(C):**

The GoA should ensure Alberta bio-energy programs are competitive with other jurisdictions.

**Response:** Support the recommendation in principle. The Alberta government supports development of the bio-economy; however, market and economic conditions need to mature.

**Next steps:** The Government of Alberta is investigating appropriate policy and market strategies to facilitate the development of initiatives such as the Bio-Energy Infrastructure Development Program, which supplies up to \$5 million for infrastructure needs such as power line grid connections.

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#### **RECOMMENDATION 16(D):**

The GoA should align energy and environmental policies to provide incentives for expansion of the bio-economy.

**Response:** Support the recommendation. The Alberta government is committed to development of alternative and renewable energy. Government's strategic plan includes a commitment to ensure energy resources are developed in an environmentally sustainable way.

**Next steps:** Alberta Environment, Alberta Energy, and other ministries will work together to further align government policy in this regard. The proposed Energy and the Environment Organization and the Bio-Industries' Organization as proposed under the recently-tabled *Alberta Research and Innovation Act* (Bill 27) would have the mandate to research areas of interest in the bio-economy.

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#### **RECOMMENDATION 16(E):**

The GoA should expand the funding of current programs aimed at making bio-energy plants self-sustaining in the long-term.

**Response:** Support the recommendation in principle. Additional funding is not available at this time; however the Government of Alberta is investigating policy and market strategies aimed at encouraging the successful future of such facilities.

**Next steps:** Alberta will encourage the commercialization and development of bio-refining to accomplish the recently mandated Renewable Fuel Standard targets for ethanol, a significant volume of which could be developed from forest biomass. The proposed Energy and the Environment Organization and the Bio-Industries' Organization as proposed under the recently-tabled *Alberta Research and Innovation Act* (Bill 27) would have the mandate to research areas of interest in the bio-economy.

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#### **RECOMMENDATION 16(F):**

The GoA should encourage the use of wood and wood residue in coal-fired power plants. This would afford coal plants some GHG reductions and stimulate the more complete utilization of wood and wood residues in Alberta.

**Response:** Support the recommendation in principle. Government supports alternative use of wood fibre. Power plant owners will make decisions to use wood fibre, based on economics and retrofit costs, and the impact of carbon offset protocols.

**Next steps:** The Alberta government is participating in the development of carbon offset protocols and will work to have language included that would allow for carbon offsets where alternative energy sources, such as wood and wood residue in coal-fired plants, are used in generation.

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#### **RECOMMENDATION 16(G):**

Accelerate research and commercialization of state-of-the-art syngas production technologies using woody biomass.

**Response:** Support the recommendation. The Government of Alberta remains firmly supportive of research related to commercialization of these projects. For example, the Alberta Energy Research Institute is providing funding to new hydrocarbon-based gasification technology demonstrations, which may provide collaborative opportunities for bio-energy projects.

**Next steps:** Funding to focus and align research is already available through the Nine Point Bio-Energy Plan, with much activity already occurring in this area. The Government of Alberta will work with proponents to get appropriate projects off the ground. The proposed Energy and the Environment Organization and the Bio-Industries' Organization as proposed under the recently-tabled Alberta Research and Innovation Act (Bill 27) would have the mandate to research areas of interest in the bio-economy.

## 6. DIVERSIFYING PRODUCTS AND MARKETS

What the report says about this theme:

Development of new products, markets and revenue streams is fundamentally important to a healthy and progressive forest industry. Alberta's forest sector has been instrumental in making tremendous improvements in fibre recovery, manufacturing, engineered wood products, technology and other initiatives. Potential exists for even more value extraction. Strengthening the forest industry's innovation system is one of the most effective ways government can invest in the development of the industry.

### **RECOMMENDATION 17:**

Government policy should support value maximization. Rights, fibre ownership and the public interest must be taken into consideration.

**Response:** Support the recommendation. Government is committed to maximizing value. For example, Alberta recently provided funding to create a Nano-fibre Research Chair at the University of Alberta to research cellulose and crystalline fibre product streams to support value maximization by companies.

**Next steps:** The Alberta government will continue to encourage optimal value of the province's wood resources. To this end, Alberta encourages forest product and bio-energy partnerships.

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### **RECOMMENDATION 18:**

The GoA should strengthen market intelligence and market access. Existing government programs that support identification of new and emerging markets should be strengthened, emphasizing research and innovation to develop niche markets for new products.

**Response:** Support the recommendation. Industry has direct access to Alberta's International offices, which have a mandate to provide market intelligence and to monitor market access issues.

**Next steps:** Alberta will continue to encourage better utilization of existing partnerships and strengthen efforts to leverage funds to promote Alberta products. International and Intergovernmental Relations will be asked to promote the services of its international offices to the forest industry.

Recommendation 18 has one additional sub-recommendation

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#### **RECOMMENDATION 18(A):**

A forest product and market development fund should be established with a rigorous process employed to support new or niche products, new technologies or business ideas.

**Response:** Do not support the recommendation. Alberta has a wide range of supports for existing market development initiatives. Examples include FPInnovations, the Canada Wood Council, Alberta WoodWORKS! and partnerships with other jurisdictions. The Alberta government will explore the possibility of increasing our contribution to these organizations.

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#### **RECOMMENDATION 19:**

The GoA should strengthen research and development investment. Strong infrastructure and leadership exists through AFRI to support a coordinated forest industry research and development program but the program has been chronically under-funded.

**Response:** Support the recommendation in principle. The Alberta government invests in a wide range of research, development and technology transfer. For example, government supports the work of the Alberta Forest Research Initiative (AFRI), FPInnovations, the University of Alberta, Canada Wood Council and Alberta WoodWORKS!.

**Next steps:** The Government of Alberta is reviewing the strategic direction of research investments and will evaluate allocation of research funds through established processes. For example, the Alberta Research and Innovation Act (Bill 27) tabled in the legislature in spring 2009 would create a Bio-Industries' Organization to replace AFRI and consolidate research and development to improve delivery for bio-economy activities.

Recommendation 19 has one additional sub-recommendation

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**RECOMMENDATION 19(A):**

The Government of Alberta should support renewal and expansion of FPInnovations' activities in Alberta.

**Response:** Support the recommendation. Government provides funding to FPInnovations. This partnership-based organization conducts research into forest product development, forest engineering, and pulp and paper technology.

**Next steps:** The Government of Alberta is developing a new strategic plan with FPInnovations to guide research.



## 7. ENHANCING COMMUNICATION AND BRANDING

What the report says about this theme:

Alberta remains committed to world-class performance and continuous improvement in sustainable forest management. Alberta has the capacity to derive competitive advantage from sustainable forest management performance, both in relation to international rivals and producers of competing materials. Alberta's established reputation for stewardship of its forest resources should be strengthened and maintained.

### **RECOMMENDATION 20:**

Government and industry should cooperate in communicating the value of forest management to Albertans, Canadians and global markets. There is a need to demonstrate the successful performance of Alberta's forest management system and the Alberta forest industry.

**Response:** Support the recommendation. Communicating and promoting Alberta's industry excellence to markets at home and abroad is a major commitment of the Alberta government.

**Next steps:** The Alberta government will seek opportunities to communicate the value of sustainable forest management to Alberta, Canada and the world.

Recommendation 20 has two additional sub-recommendations

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### **RECOMMENDATION 20(A):**

Current programs such as Alberta WoodWORKS! Should continue to be supported.

**Response:** Support the recommendation. The Government of Alberta has agreed in principle to support use of Alberta wood products in public works projects.

**Next steps:** Alberta will continue to support Alberta WoodWORKS!

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**RECOMMENDATION 20(B):**

The forest industry should work with Alberta offices in international jurisdictions to assist in establishing a global presence and a brand that is attractive and factual.

**Response:** Support the recommendation. Industry has direct access to Alberta's international offices.

**Next steps:** The Government of Alberta will continue to promote all industry sectors and their products throughout the world.

## CONCLUSION

In total, the FISC report contains 20 main recommendations, many containing multiple recommendations within them, for a total of 49 recommendations. The Government of Alberta is directly supporting, or supporting in principle, 43 of those recommendations.



## ADDITIONAL INFORMATION

For background and additional information on Government of Alberta initiatives, refer to the links below.

### Alberta's Action Plan Bringing Technology to Market

[www.advancededandtech.alberta.ca/technology/wwwtechnology.asp/techprior/techcomm/ActionPlan/actionplan.asp](http://www.advancededandtech.alberta.ca/technology/wwwtechnology.asp/techprior/techcomm/ActionPlan/actionplan.asp)

### Alberta's Nine-Point Bioenergy Plan

[www.energy.alberta.ca/BioEnergy/pdfs/BioE9pointPlan.pdf](http://www.energy.alberta.ca/BioEnergy/pdfs/BioE9pointPlan.pdf)

### Alberta Research and Innovation Act

<http://alberta.ca/home/NewsFrame.cfm?ReleaseID=/acn/200903/255051B4B4734-E3FB-773782AF35AB1AF94F71.html>  
[www.assembly.ab.ca/bills/2009/pdf/bill-027.pdf](http://www.assembly.ab.ca/bills/2009/pdf/bill-027.pdf)

### FPIInnovations

[www.fpinnovations.ca/index.htm](http://www.fpinnovations.ca/index.htm)

### Land-use Framework

[www.landuse.alberta.ca](http://www.landuse.alberta.ca)

### Provincial Energy Strategy

[www.energy.gov.ab.ca/Initiatives/strategy.asp](http://www.energy.gov.ab.ca/Initiatives/strategy.asp)

### Renewable Fuels Standard

[www.energy.gov.ab.ca/BioEnergy/1516.asp](http://www.energy.gov.ab.ca/BioEnergy/1516.asp)

### Wood WORKS!

[www.wood-works.org/Alberta+Wood+WORKS/](http://www.wood-works.org/Alberta+Wood+WORKS/)





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