



WHAT'S UP IN Canada's Forest Sector?

AUGUST 2010

THE CANADIAN BOREAL
FOREST AGREEMENT

BASICS OF
CHAIN-OF-CUSTODY
CERTIFICATION

EXAMINING
ASIAN
MARKET
TRENDS

Did You Know?

The boreal forest encircles the northern hemisphere just south of the Arctic Circle, covering about 1.66 billion hectares – roughly one third of the Earth's forested area. It is one of the largest forest ecosystems on the planet, sheltering thousands of wildlife species. Russia, Canada, Scandinavia and Alaska contain boreal forest, with about 60 per cent in Russia and close to 30 per cent in Canada.

Canada's boreal region stretches across the top of the country from the Yukon in the west to Newfoundland and Labrador in the east – forming a band more than 1,000 kilometres wide. It is by far the largest of the country's nine forest regions.



Agreement Sets High Environmental Standards in Canada's Boreal

The Canadian Boreal Forest Agreement – signed in May by 21 forest companies and nine leading environmental organizations – aims to conserve significant areas of Canada's boreal region, protect threatened woodland caribou and provide a competitive market edge for participating companies.

Once fully implemented, the agreement will lead to the highest environmental standards of forest management in 72 million hectares of Canada's public boreal forest – an area almost twice as big as Japan. The forest companies, all members of the Forest Products Association of Canada (FPAC), will immediately suspend new logging in nearly 29 million hectares to develop conservation plans for endangered caribou, while maintaining essential fibre supplies for uninterrupted mill operations.

"The importance of this agreement cannot be overstated," says Avrim Lazar, President and CEO of FPAC. "It's gratifying to see nearly a decade of industry transformation and hard work greening our operations is culminating in a process that will set a forestry standard that will be the envy of the world."

"We're thrilled that this effort has led to the largest commercial forest conservation plan in history, which could not have happened without both sides looking beyond their differences," says Steve Kallick, Director of the Pew Environment Group's International Boreal Conservation Campaign. "As important as today's announcement is, our ultimate success will be measured by how we tackle the work ahead to put this plan into practice."

Canada's Environment Minister Jim Prentice welcomed the agreement: "I am particularly encouraged by the commitment to develop world-leading standards for sustainable forest practices to identify protected areas and to support species at risk recovery." *Continued on Page 2*



THE CANADIAN BOREAL FOREST AGREEMENT
*An Historic Agreement Signifying a New Era of
Joint Leadership in the Boreal Forest*

Did You Know?

Canada's boreal region *has an abundance of wildlife and fresh water* (including an estimated 1.5 million lakes). It is used by nearly half of the birds in North America each year, *and contains wetlands that filter millions of litres of water a day.*

There are about 20 tree species in Canada's boreal forest, including spruce, fir, pine and tamarack.

Managing the Diversity of Canada's Boreal Region

As one of the few remaining relatively intact ecosystems, the boreal forest helps to preserve biodiversity, or the variety of life on Earth. The Canadian boreal forest is home to about two-thirds of Canada's 140,000 species of plants, animals and micro-organisms.

Canada's conservation efforts in the boreal forest include integrated land-use planning, environmentally sound forest management practices, and species and habitat recovery. Forest managers ensure their practices are ecologically sensitive and support sustainable forest management.

Since the boreal forest is strongly influenced by natural disturbances such as wildfire, clearcutting is generally the most ecologically appropriate way to harvest and renew it. Forest managers are retaining more trees and more coarse woody debris to provide structure in forest stands and the landscape, as well as planning harvest areas around natural boundaries and leaving reserves around sensitive areas such as waterways or important wildlife habitat.

About eight per cent of Canada's forest is protected, and more is currently considered inaccessible for harvesting. Protected areas safeguard biodiversity, allow scientific research, support environmental monitoring, and maintain environmental stability in surrounding regions. They also provide opportunities for outdoor activities such as hiking, camping and nature viewing.

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The Canadian Boreal Forest Agreement

Continued from Cover

Under the Canadian Boreal Forest Agreement, signatories will:

- Accelerate completion of the protected spaces network for the boreal forest that represents the diversity of ecosystems within the region, and serves to provide ecological benchmarks.
- Develop and accelerate implementation of plans to protect species at risk in the boreal forest, with a priority focus on boreal caribou.
- Implement world-leading, on-the-ground sustainable forest management practices that best reflect the principles of ecosystem-based management in the boreal forest.
- Take action on climate change, with a full life cycle approach to forest carbon management.
- Help support the economic future of forest communities and recognize conservation achievements in the global marketplace.

In the early stages of the agreement, the industry and environmental organizations will:

- Develop jointly supported caribou action plans that are based on leading, independent science and will provide input into relevant government processes.
- Produce ecosystem-based management guidelines to be integrated into existing practices by participating companies.
- Identify areas of climate and energy policy that intersect with forest management and conservation, and create a work plan for developing joint positions.

Recognizing that governments are decision makers within their jurisdictions, participants have begun meetings with provincial and First Nation governments, and local communities across Canada to seek their leadership and full participation. The agreement recognizes that constitutionally protected aboriginal and treaty rights must be respected.

The progress made to reach the objectives laid out in the Canadian Boreal Forest Agreement will be regularly measured and reported on by a jointly agreed-upon independent auditor.

More information about the Canadian Boreal Forest Agreement is posted at www.canadianborealforestagreement.com.

Who's involved?

Forest companies (all represented by the Forest Products Association of Canada): AbitibiBowater, Alberta Pacific Forest Industries, AV Group, Canfor, Cariboo Pulp & Paper Company, Cascades Inc., DMI, F.F. Soucy, Inc., Howe Sound Pulp and Paper, Kruger Inc., LP Canada, Mercer International, Mill & Timber Products Ltd, NewPage Port Hawkesbury Ltd, Papier Masson Ltée, SFK Pulp, Tembec Inc., Tolko Industries, West Fraser Timber Co. Ltd, Weyerhaeuser Company Limited.

Environmental organizations: Canadian Boreal Initiative, Canadian Parks and Wilderness Society, Canopy, David Suzuki Foundation, ForestEthics, Greenpeace, The Nature Conservancy, Pew Environment Group International Boreal Conservation Campaign, and Ivey Foundation.

Participants agree there is value in other companies, industry associations and environmental organizations signing and helping to implement the agreement.

Canada's Diverse Forest Sector

What's Up in Canada's Forest Sector? offers you an opportunity to learn more about Canada's diverse forest products sector, and meet representatives from companies working with markets in Asia.

Asian markets such as China and India are among the few pulp and paper markets with growth potential as they move from export economies to consumer-driven economies. And as far as Jason Coss, Senior Vice-President, Paper Pulp Sales & Marketing for Tembec Inc., is concerned, that's good news for Canada – as long as buyers are prepared to reward suppliers for their environmental record.

"Canada has always had excellent environmental credentials – and the new Canadian Boreal Forest Agreement appears to have taken this even further," says Coss. "Many around the world view Canada as a prime example of responsible forestry practices."

He points out that Asian pulp markets are volatile and very competitive and while China's domestic pulp production capacity has grown tremendously in the last five years, much of its wood fibre and a lot of the wood pulp it imports come from uncertified sources and this creates a very uneven playing field.

"Environmentalism is not a fad," says Coss. "Buyers need to consider the environment as part of their purchasing choices because consumers care about a product's environmental impact – and that's not about to change."

Tembec (www.tembec.com) has had an office in Beijing since 1998, and sells high-yield pulp to the packaging sector in China. An international integrated forest products company with headquarters in Montreal, Quebec, it has long been a leader in sustainable forest management practices. All of its forestry operations in Canada – more than 9.7 million hectares – are certified to the Forest Stewardship Council (FSC), and it has FSC chain-of-custody certification at all of its pulp and paper, solid wood and chemical operations.

Basics of Chain-of-Custody Certification

The Forest Products Association of Canada (FPAC) has teamed up with PricewaterhouseCoopers LLP (PwC) to help companies learn how to source sustainable wood, paper and pulp products.

"Traditionally, procurement agents looked at price, quality and availability of products," says Shawn Ellsworth, Manager, Performance Improvement, PwC. "Today, customers want to know about a product's environmental and social attributes – and that can make procurement more complex."

An option is to look for products from forests third-party certified to a sustainable forest management program, and backed by chain-of-custody certification – proof they are from legal and sustainable sources. Canada is a global leader in third-party forest certification with almost 150 million hectares, which is equivalent to 40% of the world's supply of third-party certified forests.

Chain-of-custody is a process to track certified fibre from the forest and through the various stages of production to the end user. Companies with chain-of-custody certification may use on-product labels to help consumers identify certified wood or paper products. Since less than 10 per cent of the world's forests are certified, chain-of-custody also has requirements for any uncertified content and helps buyers avoid unwanted sources.

Any producer or wholesaler that processes or trades certified forest products can seek chain-of-custody certification. This includes manufacturers of forest products, wood dealers, wood yards, paper merchants, converters, wholesalers, brokers and printers. For most businesses, many of the processes needed for chain-of-custody certification – such as the source of products and the buyer – are in place and just need to be monitored.

Chain-of-custody audits are carried out by accredited certification bodies using qualified staff or contract assessors. Before receiving a chain-of-custody certificate, a company must provide action plans to address non-conformities. Part of the certification commitment is an annual surveillance assessment and re-registration every five years.

Globally, chain-of-custody certification has been aligned under the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). Both involve third-party audits, both allow mixed content (certified and non-certified), and both have mechanisms to avoid fibre from controversial sources such as illegal logging operations.

PwC forestry staff have developed two webinars, both sponsored by FPAC, to introduce chain-of-custody certification and to help companies source sustainable forest products. For information, contact Bruce McIntyre (bruce.mcintyre@pwc.com) or FPAC at Ottawa@fpac.ca.

Examining Asian Market Trends

Canadian pulp, paper and wood products are an excellent choice for growing Asian markets – once customers appreciate that Canada offers high-quality products from legal and sustainable sources.

Policy market reports on China, Korea and Japan, commissioned by the Forest Products Association of Canada, will help Canada's forest sector understand the trends, issues and opportunities in these key Asian markets. The report on Japan is due out this summer.

"The policy audit reports will help Canadian producers better understand key Asian markets by providing an overview of the industry and key stakeholders; analysis on current and forthcoming market issues and opportunities, and a series of recommendations to promote the industry's brand and environmental reputation," says Pierre Gauthier, FPAC Managing Director, Europe and Asia.

The **China Policy Audit and Stakeholder Mapping**, prepared by APCO Worldwide, examines policy issues, recommends stakeholder engagement strategies, and presents an overview of key government policy stakeholders with direct and indirect influence on the Chinese forest industry.

Recommendations for the Chinese market include:

- Exploring ways to cooperate and partner with industry players, especially foreign government and industry associations, in shared lobbying and business solutions.
- Building relations with strategically targeted Chinese institutions, such as government and academia, so they can become third-party advocates.
- Identifying key opinion leaders, and providing them with facts so they can convey Canadian sector messages.

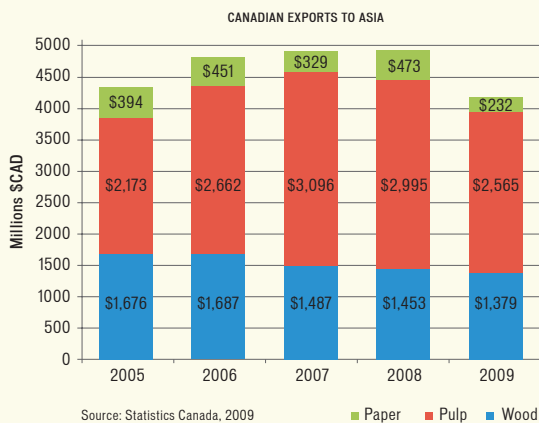
The **Korea Forest Policy Audit**, prepared by Ahn & Associates, confirms that Canadian forest products are well thought of by the Korean market because of their quality and sustainability, and points to future potential. It examines the roles and functions of industry and government stakeholders, reviews major policy issues and market situations, and identifies opportunities for Canadian forest products.

Recommendations for the Korean market include:

- Identifying barriers such as national building codes, and working with Korean industry associations to make changes that encourage the use of wood products in commercial and residential construction.
- Promoting technology transfer activities such as wood university programs and inspector training that improve the position of Canadian wood products in the Korean market.
- Strengthening cooperative relationships with Korea's pulp and paper industry, media, institutions/universities, government agencies and NGOs.

For a copy of the policy reports or to learn more about the findings, contact Pierre Gauthier at pgauthier@fpac.ca.

Canadian Forest Sector Exports to Asia (2005-2009)



Asia is an important export market for Canada's forest sector. In 2009, 18% of Canadian forest product exports – valued at \$4.2 billion CDN – went to Asian markets.


Pulp accounted for 61% of 2009 forest sector exports to Asia, followed by lumber (26%). The top five Asian markets in 2009 were China (\$1.9 billion), Japan (\$1.1 billion), South Korea (\$351 million), Taiwan (\$205 million) and India (\$203 million).


Exports to China have grown at an annual average rate of 16% between 2005 and 2009, with pulp accounting for 79% of Canadian forest product sales to China in 2009. The sale of Canadian wood products to China has increased at an annual average rate of 37% between 2005 and 2009, reflecting the growing Chinese lumber market.

Did You Know?

About **0.2 per cent** of Canada's boreal forest is harvested each year, and **companies that harvest public lands must return them to healthy, natural forest.**

EVENTS

 **20th Busan Housing Fair**
BEXCO, Busan – Sept. 30 to Oct. 3, 2010

 **China Paper Show**
Shanghai (with a workshop at the Vancouver Pavilion of Expo 2010) – Sept. 15 to 16, 2010

 **China International City Planning and Development Expo** Shijiazhuang, Hebei Province – Sept. 1 to 30, 2010.

 **2010 Western China International Economy and Trade Fair** Chengdu, Sichuan Province – Oct. 16 to 20, 2010

RECENT PUBLICATIONS

Wood Wall: Wood-frame Infill Wall Applications in Residential and Commercial Buildings is available from Canada Wood Korea.

Paper vs. Pixels – Evaluating the Impacts of an Industrial Transition is a literature review that shows information technology faces a greater challenge than paper because of its dependence on non-renewable resources, the pace of innovation and product replacement, and the difficulties associated with E-waste. The report is posted at www.bcfii.ca/industry_resources – for a password, contact Forestry Innovation Investment at info@bcfii.ca.

Canada - A Source of Forest Products from Legal and Sustainable Sources

“Canada has a reputation for world class standards of sustainable forest management that is based upon rigorous laws and regulations governing the management of forest lands. As 93 percent of forest land in Canada is under government jurisdiction, governments are responsible for ensuring that forests are sustainably managed, and respectful of environmental, social and economic values on behalf of the public. Canada is proud of the fact that its rigorous forest management laws and regulations are complemented by voluntary, third-party certification that gives customers added assurance that the Canadian products they are buying come from sustainably managed forests. As a leader in sustainable forest management, Canada is involved in global initiatives aimed at eliminating illegal logging, strengthening forest governance, and helping developing countries build capacity in their forest sector.”

– Jim Farrell, Assistant Deputy Minister, Canadian Forest Service

WHAT'S UP IN CANADA'S FOREST SECTOR?

What's Up in Canada's Forest Sector? examines Canada's diverse forest products sector and invites views from representatives of companies working with markets in Asia. Issued quarterly, it delivers the facts about forests, operations and products for buyers and builders in Asian countries who are considering Canadian forest products for their building and paper needs. Contact us at Ottawa@fpac.ca with comments and suggestions.

For more information, visit the Canada Wood website at www.canadawood.org or contact your local Canada Wood office:

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Japan Tokyo Tel: 81.3.5401.0531 **Korea** Seoul Tel: 82.2.3445.3835/4

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FOR MORE INFORMATION ABOUT CANADA'S FOREST SECTOR, VISIT:

The Forest Products Association of Canada (www.fpac.ca) represents the largest Canadian producers of wood products, pulp and paper products. Its website includes information about a variety of topics, including a Buyers' Guide to Canada's Sustainable Forest Products to help customers create a sustainable forest products procurement policy.



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The Canadian forest products industry adheres to the following five principles, which are increasingly important to responsible buyers of forest products:

1. Harvest legally.
2. Regenerate promptly.
3. Reduce waste and support recovery and recycling.
4. Reduce greenhouse gases and help fight climate change.
5. Welcome independent scrutiny of how they manage forests.