



April 2019

Rural Dividend – Terms of Reference for Waste Wood Recovery Project

Overview

BC Economic Development Region where your project will take place:

Vancouver Island/Coast – Cowichan Valley

The physical address or geographic location where the project will primarily take place: Cowichan Valley

Project funding stream – Single Applicant Project (up to \$100,000)

Eligible Applicant Organization Type: Not-for-profit Organization

Project category in which the initiative primarily focused – Community and Economic Development

Organization profile

Legal name of the Applicant – Vancouver Island Economic Alliance

Organization's registration number: SOO51645

Mailing address of the applicant organization:

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Details

Project Title:
Wood Recovery and Fuel Reduction Pilot project in the Cowichan Valley

Project Description:
This project will engage forestry and wood industry stakeholders in a pilot to make avoidable wood waste more accessible to manufacturers while simplifying wood waste management for timber licensees. The project will explore and test options for wood waste management, consolidating waste by sorting according to species, dimension and condition to serve the distinct needs of buyers and sellers of wood fiber. This pilot will focus on building business to business relationships within forestry and wood industries in order to expose and pursue innovative approaches to wood waste management; help mitigate fire hazard by reducing fuel in the forest; and help further wood manufacturing by solving the number one barrier to wood industry investment--secure access to fiber. We will accomplish this by working with industry stakeholders to find mutually beneficial, cost-effective ways to organize waste fiber (such as organizing a central/universal sort area), look for collaborative and innovative approaches to transporting fiber, methods to help ensure forest fire fuel reduction, and to facilitate connection between those who have fiber to sell and those who need fiber for their manufacturing operations.

This fits with priorities expressed by Ministry officials at recent Waste Management meetings. As well, in its Biomass Inventory Analysis, FP Innovations identified that "Better sorting/piling can Increase yields (50-100% more)." And, in relation to the Ministry's interest in Fiber Recovery Zones. It is stated that the fibre recovery process "encourages business to business (B2B) between primary harvesters and secondary users." This pilot is expressly intended to facilitate such connections to specifically identify opportunities and barriers to fibre recovery and to explore and test potential solutions towards full realization of the opportunities with stakeholders in the Cowichan Lake area describe the community need that the project is addressing. Demonstrate the degree of community's need. Include any need tied to loss or reduction in the community's key economic drivers.

Communities (including First Nations) of every size and description all over Vancouver Island are in need of greater economic opportunities and diversification in order to provide family wage jobs.

Currently, specific needs Include:

- 1) Replacing the shrinking supply of chips from the interior of BC with coastal chips to support existing pulp mills In Crofton, Nanaimo, Port Alberni, Powell River and Howe Sound;
- 2) Providing a larger, more secure source of fibre to the hundreds of small, value-added and artist businesses on Vancouver Island;
- 3) Providing a more secure source of fibre for potential to attract investment in new wood industries on Vancouver Island; and
- 4) Improving community resiliency in terms of both fuel loading (reduction in hazard and costs of fires) and health benefits (reductions in health care costs).

Pulp mills are under intense pressures from various sources, including tariffs. Closure (or long term suspensions) would have drastic effects on local communities and it is noted that the Province of BC recently made changes to protect pensions of workers. Municipalities have been under pressure to lower their industrial tax rates to maintain business continuity.

VIEA has developed business cases for new wood-manufacturing on Vancouver Island, but business plans cannot be developed because prospective investors

cannot identify reliable fibre resources. This pilot will help utilize the 20% avoidable waste volumes currently left on site and, often, burnt.

A combination of mill closures and Industry practices make already harvested material difficult to access by SUs.

The attached documents and letters of support identify the need and support of local communities.

In short, Vancouver Island is dangerously close to becoming nothing but a tree farm. Wood manufacturers and remanufacturers are having great difficulty getting the fibre they need to continue and with fewer and fewer island saw mills combined with severe reduction in the production volumes in the BC Interior, pulp mills have uncertain futures while a full 20% of harvestable fibre on Vancouver Island is left as 'waste' on the forest floor.

This pilot will help solve this problem and thereby improve the prospects for continuing and new wood manufacturing in rural Vancouver Island.

How the project supports community economic development, resiliency and strength, the breadth of impact:

This pilot project will endeavor to find cost-effective ways for primary and secondary industry stakeholders to recover 'waste' fibre and make it available to manufacturers. In one way or another, forestry and wood manufacturing are important economic drivers in every island community. In 2017, VIEA completed an industry survey to develop a database showing some 140 Value-Added Wood Manufacturers on Vancouver Island. In 2018, VIEA brought over 100 industry stakeholders together at a one-day forum to create a list of industry recommendations to be shared with government and be pursued. Through this and through connected work over the last 5 years, it has become abundantly clear that the NUMBER ONE issue preventing more investment and more diversified manufacturing for export in Vancouver Island Communities is sufficient access to fibre.

Resolution of this access to fibre problem combined with better management of wood waste and reduction of fire hazard will help create conditions conducive to manufacturing that will enable communities and First Nations to generate wealth from the natural resources surrounding them and to strengthen the local economy by having a stable base of family supporting jobs.

How the project facilitates business, growth, economic development or diversification using innovative Ideas or processes:

Over the last five years, VIEA has referred to the Forestry/Wood Industry challenge as 'The Gordian Knot' The good news and the starting point is that everyone including primary and secondary industry stakeholders, agrees that the industry must change to survive. No one likes the present system and no one knows what to do. The recent change in the BC government has opened a door for new thinking and progressive approaches.

The entire objective of this pilot project is to bring innovative thinking and systems to the industry to facilitate business stability, growth, sustainability, economic development and product diversification. For Instance, 20% avoidable wood waste results from primary industry practices that simply do not take into account potential secondary uses. Thus, waste management is designed to be the easiest, low-cost treatment of 'waste'. This results in piles of usable material let out of reach for secondary manufacturers and as fuel for forest fires. It is our desire to pilot innovative approaches to waste management so that this material is managed with the secondary user in mind and in the process removed as fire hazard while making business sense to everyone. The fact that as of 2017, 140 wood manufacturers were in business on Vancouver Island shows that industry diversification already exists. The challenge, which this pilot Is positioned to help solve, is that these businesses are struggling to survive because of the limited and contentious issues surrounding access to fibre and that new industries have ZERO potential to attract investment because the access to fibre is so tenuous.

How the project creates shared prosperity or further develops partnerships within communities, between communities and/or between First Nations and non-First Nations communities:

This successful pilot project will demonstrate workable solutions to waste fibre recovery and fire hazard reduction, and will be scalable and transferable to other communities, including First Nations. As for First Nations specifically, timber licenses play an enormous role in the unfolding treaty negotiations and settlements on Vancouver Island. VIEA is in continuous contact with a wide range of First Nations interests having co-hosted the Aboriginal Business Match events on Vancouver Island for the last three years and through working with First Nations as VIEA members, VIEA Directors, and as Summit presenters and delegates. First Nations have keen interest in local manufacturing opportunities and joint ventures

so as to develop local manufacturing economy and jobs to help sustain their people beyond simply harvesting trees. Prosperity and inclusive partnership form the very foundation on which VIEA stands and on which this pilot project has been conceived and will be delivered.

Will the project directly create any additional Jobs? No

Potential indirect employment created as a result of the project:

We believe that a successful pilot will directly lead to job creation because the very process of fire hazard mitigation combined with making waste fibre accessible to manufacturers will create business practices that presently do not exist. Developing these innovative solutions will also help protect existing manufacturing jobs that are currently at risk because of fibre access uncertainty and will also open doors for new product investment which is otherwise blocked. So, 'will' the pilot project directly create any additional jobs? We hope so. We also hope that it will indirectly protect existing jobs and lead to investment, creating a new generation of jobs.

Does the project increase or provide economic opportunities for youth? Yes

The impact of the project on youth:

Rural communities on Vancouver Island are, unfortunately, accustomed to losing their youth to larger centres where job opportunities are more plentiful. This successful pilot will help job retention, job creation, and wealth generation in these communities and in the process provide a wider range of employment options for working age youth. Also, First Nations presently show increasingly young demographics and are in dire need of meaningful employment opportunities for these youth. We believe that this fibre recovery project can begin to make more local wood manufacturing possible by improving access to fibre.

The predicted outcome(s) for this initiative?

Knowing that the avoidable waste in current forestry harvesting practices is 20% and presuming that this 20% can be recovered and made accessible to industry, we can project Cowichan Region industries such as pulp, furniture and cabinetry manufacturing, shake and shingle, etc. solving part of their fibre problem and building better B2B relationships. The fire hazard reduction aspect has potential to permanently improve community and First Nation safety as well as creating

permanent employment. new enterprises, indigenous and otherwise might emerge by seizing opportunity uncovered in new approaches to waste fibre management.

Measurable indicator(s) that will determine success in achieving the above-described outcome?

- 1) Reduction from 20% avoidable waste levels;
- 2) Increased chip supply to local pulp mills;
- 3) Increased fibre supply for existing value-added manufacturing;
- 4) Determine the feasibility of establishing a central (universal) sort and manufacturing area (commination and other activities);
- 5) Reduction in number and size of waste piles burnt;
- 6) Reduction in smoke advisory warnings and reduction fan associated care costs; and
- 7) An Increase in plantable spots;
- 8) Industry involvement of First Nations is better integrated with more economic opportunities associated with their timber licenses;
- 9) Direct and Indirect jobs are created;
- 10) Wood industries are further stabilized and investment potential is improved.

Section(s) in community economic development plan which relate directly to the project and how the project supports the plan(s).

Forestry is and has been of central importance to the economic life blood of the Town of Lake Cowichan and surrounding area. The Cowichan Lake Community Forest Co-operative (CLCFC) is a locally owned and managed Business Co-operative which creates and maintains jobs through its commitment to the principles of forest sustainability, and community economic development. CLCFC was incorporated under 'The Co-Operative Association Act of British Columbia,' August 2, 1995.

The CLCFC and partners in the forest industry work together to ensure log supply to local value-added processors, which keeps jobs and value in the South Island region. Raw logs go to a Cowichan Lake sawmill; high quality logs go to the pole mill in Ladysmith; logs make their way to the veneer plant in Nanaimo and chips and sawdust go to pulp and papers mills in Nanaimo and Crofton.

The CLCFC and Pacheedaht First Nation are currently in the process of seeking an invitation to apply for a land-based Community Forest Agreement with the

Ministry of Forests. Pacheedaht First Nation will have its own specialty sawmill in operation by summer of 2016 and they hope to obtain at least part of their log supply from the new forest agreement.

Also, see attached section from the Town of lake Cowichan OCP (Official Community Plan) in relation to the Forest industry.

Please attach your document using the Browse button below.

File: VI Wood Industr.docx

Size: 662 Kilobytes

Existing community support for the project and how support has been demonstrated within the community:

The pilot project is supported by the Town of Lake Cowichan, The Cowichan Lake Community Forest Cooperative, the Cowichan Valley Regional District, and Centurion Lumber. These and other stakeholder organizations are committed to participating in the deliberations and processes of the pilot project to assist with its successful outcomes. All of these have a strong vested interest in this success because their communities and enterprises depend on fibre access to continue.

Additional letters of support are being sought from stakeholder organizations such as: Harman Pacific, Catalyst Paper, Truck Loggers Association, BC Independent Wood Processors Association, Private Forest Landowners Association, BC Community Forests Association, etc. VIEA has established relationships with these stakeholders and is confident that this support will be forthcoming.

Budget

Funding Request: \$100,000

Total project cost: \$167,950

Total financial contribution from applicant and/or partners: \$21,150

Total in-kind contribution from applicant and/or partners: \$30,005

Are other organizations providing funds or lending money regarding this project?

Yes

Other funders for this project:

The Vancouver Island Economic Alliance Is committed to providing the full \$21, 150 to this project if necessary and will seek contributions from various stakeholders.

Total amount of funding from other sources: \$67,950

Estimated start and end dates of the project (maximum project duration is two years):

Estimated start date:

2018-12-03 (Have requested that this be changed to: 2019-6-17.)

Estimated end date:

2020-11-27 (Have requested that this be changed to: 2021-6-17.)

Full project duration (months): 23

Is the project ready to commence immediately upon receipt of funding? Yes

Key milestones and associated deliverables that support the intended project actions and accomplishments as well as an approximate timeline for each component of the project leading to completion:

Identifying, gathering, orienting, enlisting stakeholders - December 2018 - May 2019. (June – December 2019 if approved)

Developing, planning and testing innovative approaches to fibre management- April 2019 - September 2020 (November 2019 – April 2020 if approved)

Tracking, measuring, gathering community and industry data re: transport and use of waste fibre, cost/revenue implications, fire hazard mitigation June 2019- September 2020. (January 2020 – April 2021 if approved)

Assessing job creation, job protection, business development implications from the pilot - September/October 2020. (April/May 2021 if approved)

Identifying how to apply pilot findings in other Island communities and first Nations- September/October 2020. (April/May 2021 if approved)

Produce final project report- October/November 2020 (May/June 2021 if approved)

Will project activities be ongoing after the estimated end date? Yes

How the project will be sustained long-term (ex. Financially, socially and/or environmentally):

Cost-effective access to fibre for manufacturing while simultaneously reducing fire hazard in a manner that doesn't put a heavy onus on timber licensees but provides increased opportunity for First Nations and Island communities for economic development, will be eagerly adopted and continued as financial, social, environmental benefits will be easily quantified and continued for mutual benefit.

Resources and skills of the applicant to manage and complete the project, including project management experience and/or implementing similar projects:

VIEA- The Vancouver Island Economic Alliance is in its 13th year as a non-government, non profit pan-Island economic development organization dedicated to helping ensure a vital and sustainable Island economy. Since 2013, VIEA has held Island Wood Industries as an economic priority and as such VIEA has toured Vancouver Island partnered with BC Woodland the Canadian Wood Council meeting with industry stakeholders, researched to develop an Island-wide wood manufacturers database and quantify the economic impact of wood manufacturing in all seven regional districts on Vancouver Island, developed four business cases for manufacturing new wood products on Vancouver Island, and hosted the first ever 'Island Wood Industry Forum'. VIEA also hosts the annual Economic Summit, widely considered the business networking event on Vancouver Island each October; produces the only annual non-government regional economic report in BC; developed the 'Island Good' campaign with major grocery retailers, food and beverage producers, processors and distributors which now increases consumer demand for Island-made food products; completed the first phase of a Foreign Direct Investment project with a portfolio of investment opportunities to market internationally, and has achieved and is now responsible for federal Foreign Trade Zone designation for all of Vancouver island. VIEA has a reputation as an organization that knows how to 'get stuff done!'

Role(s) of any project partners Identified: N/A as this is not a 'Partnership Project'. However, as VIEA convenes the stakeholders, numerous roles and responsibilities

will emerge as appropriate to stakeholder involvement addressing the project needs.

Project risks to completion and risk mitigation measures to ensure project success:

The primary risk is that the major crown licensee and/or major private forest land owners will resist cooperating with the project. Social license and changing government perspective that is already leading towards industry change will be the strongest risk mitigation elements. Competition for reclaimed waste fibre between manufacturers, First Nations, etc. could be a risk. Logical persuasion based in improved outlook for everyone will mitigate this.

Ideas that don't work can discourage continuing pursuit of solutions. The potential for solutions, social license, and financial benefits will help to mitigate as will potential for government to use existing tools to require changed practices.

VIEA has a history and an established reputation for facilitating collaboration. Following six years of persistent industry exploration with diverse stakeholders across the Island region, we are confident that the will for positive change combined with enlightened self-interest will be sufficiently motivating.

Will the project include physical infrastructure? No

However, in some respects, physical infrastructure will be needed in that waste will need to be handled differently with a different objective in mind. This may require different locations for sorting fibre and different ways or transporting fibre to different destinations. But, otherwise, the project does not require infrastructure.

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