



# First Nations Opportunities in the Forest Sector

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MOVING FORWARD

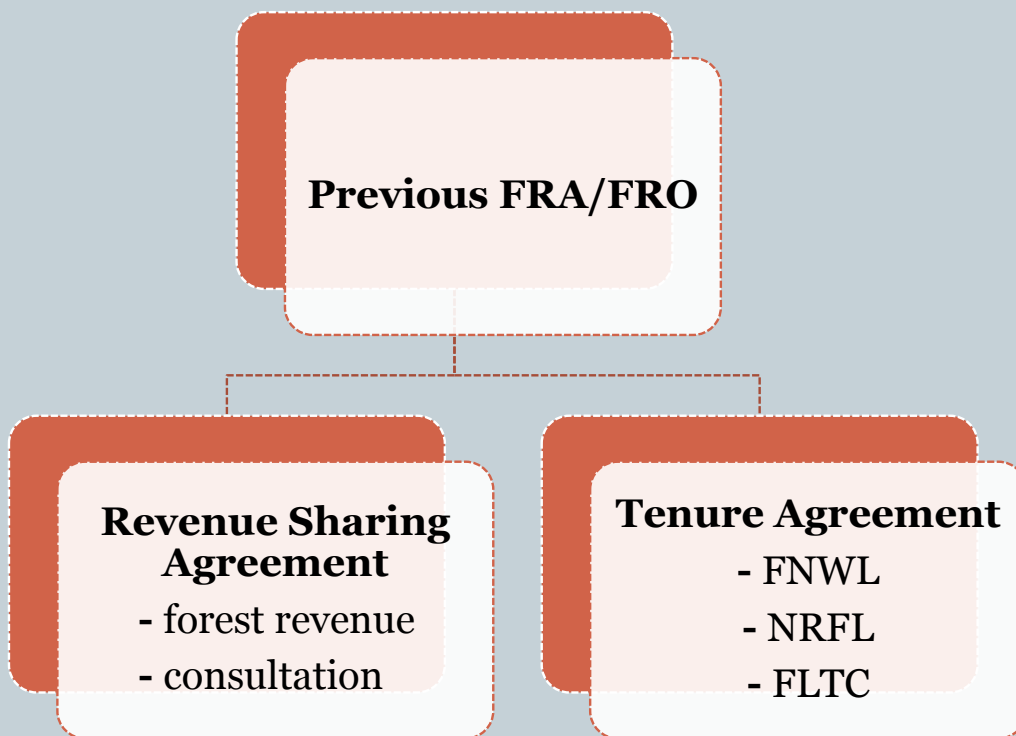




# Replacement of FRA/FRO

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FRA or FRO will be replaced by 2 stand alone agreements:



# First Nations Woodland Licence



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## Background

- Recommendation #25 Forestry Roundtable Report.
- Considerable feedback from numerous First Nations over many years.
- Sought advice from 23 First Nations on specific content of legislation.
- Introduced through Bill 13 which received Royal Assent last week.

# First Nations Woodland Licence



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## Features of New FNWL

Current Tenure Policy	First Nations Woodland Licence Features	Rationale for the Change
1. Direct award by Minister	Direct award by Minister	No change
2. Short-term (5 years)	Long-term (25 – 99 years), replaceable every 10 years	More tenure security, therefore improves First Nations' ability to secure investment and loans, and to work with interested partners
3. Volume-based	Area-based Can include private & reserve land.	
4. A mixture of replaceable and non-replaceable volume	Replaceable volume only	

# First Nations Woodland Licence



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## Features of New FNWL (cont'd)

Current Tenure Policy	First Nations Woodland Licence Features	Rationale for the Change
5. Basic stewardship responsibilities	<p>Expanded stewardship responsibilities.</p> <p>Management plan required, including inventories and AAC setting, as well as opportunity to manage cultural heritage resources.</p> <p>First Nation can choose to do either a Forest Stewardship Plan or a Woodlot Licence Plan if the size of the FNWL is <math>\leq 800</math> ha on Coast or <math>\leq 1200</math> ha in Interior. Otherwise must complete a FSP.</p>	<p>Better meets First Nations' interests in land and resource stewardship close to their communities.</p> <p>Greater flexibility for managing the land base.</p>

# First Nations Woodland Licence



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## Features of New FNWL (cont'd)

Current Tenure Policy	First Nations Woodland Licence Features	Rationale for the Change
6. Management of non-timber forest resources only applicable to Community Forest Agreement	Management of non-timber forest resources now applicable to First Nations Woodland Licence	Meets First Nations' interests to establish an opportunity to manage and benefit from the commercial harvesting of non-timber resources.
7. Stumpage is based on market rates	Stumpage based on market rates A portion of paid stumpage would be shared (revenue sharing)	Maintains integrity of market pricing system. Revenue sharing consistent with Forestry Roundtable recommendations.

# First Nations Woodland Licence



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## Features of New FNWL (cont'd)

Current Tenure Policy	First Nations Woodland Licence Features	Rationale for the Change
8. Annual Rent required	Only the fire preparedness levy portion of annual rent is required	Addresses requests from First Nations
9. Transferrable to third party	Not generally transferrable to third party	Ensures benefits reside with First Nations.
10. Silviculture security deposits required – if determined by the DM	District Manager may accept revenue sharing payment as security in lieu of security deposits	Provides more flexibility for First Nations to manage their cash flow.

# First Nations Woodland Licence



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## Next steps

- Significantly more work is required :
  - ✦ Amendment of about 11 regulations.
  - ✦ Location of operating areas.
  - ✦ Analysis of timber in proposed tenures.
- MFR will continue to provide shorter term forestry tenures (NRFL, FLTC) to bridge the transition to the FNWL.
- MFR and First Nation to agree to a Tenure Opportunity Agreement
  - ✦ Form of tenure, location, amount to be discussed
- First Nations with expiring tenures will be a priority.

# Forest Revenue Sharing



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## Background

- Recommendation #26 Forestry Roundtable Report.
- Considerable discussion inside government due to fiscal implications.
- Ministry now has approval.
- Supports the Transformative Change Accord objectives.



# Forest Revenue Sharing

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## Characteristics

- Supports reconciliation and the progressive band to nation to treaty principle.
- Based on direct revenue from harvesting taking place in each First Nation traditional territory within each Forest District.
- Provides a floor payment that will support consultation.
- Transition over the next four years from the current per/capita to activity based.

# New Revenue Sharing Model



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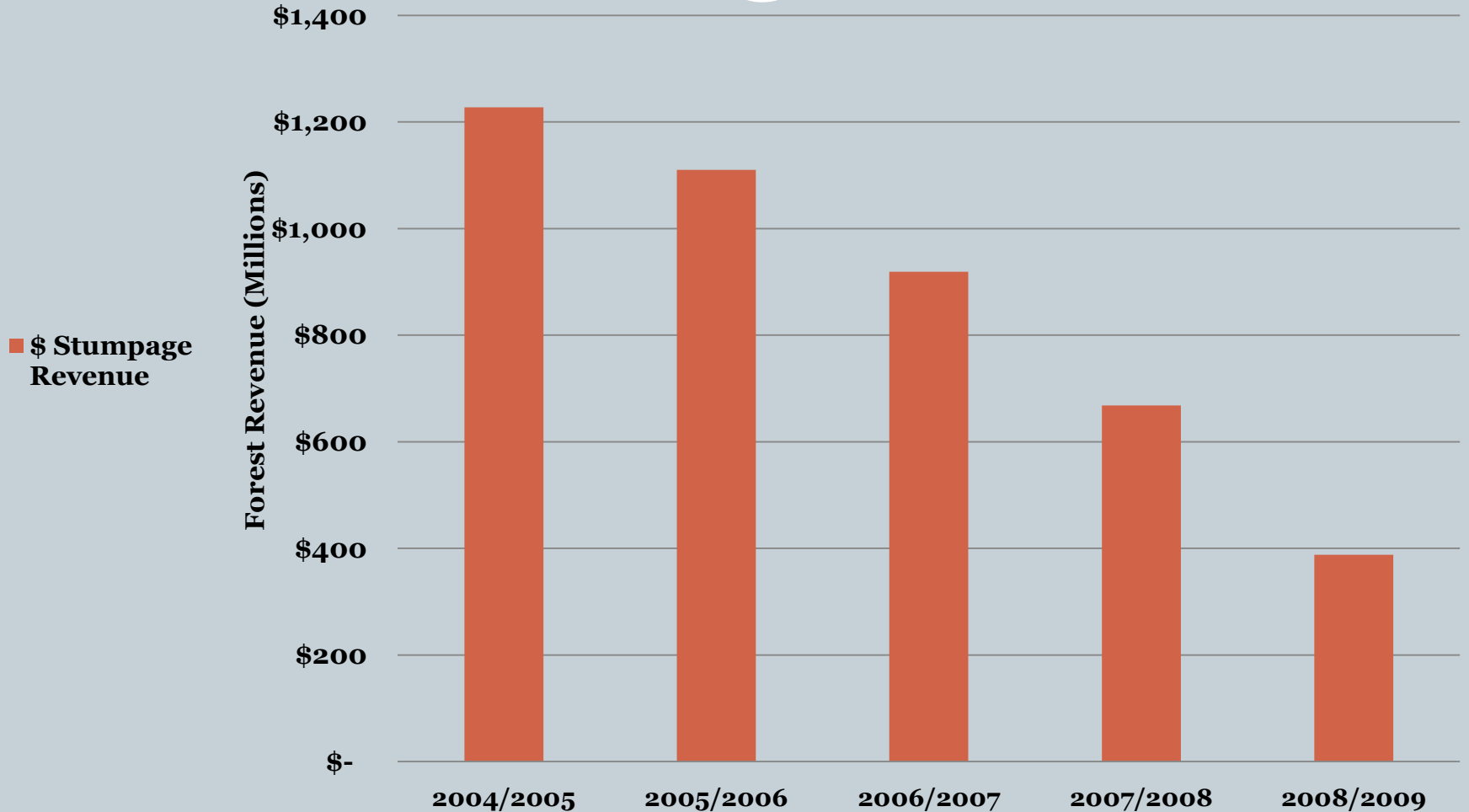
## Transition scheme

- In 2003, stumpage revenue was \$1.3 billion.
- In 2009, stumpage revenue was \$0.2 billion.
- Government has approved a transition scheme for the introduction of the activity approach.
- Allows time for forest sector to recover.
- First Nations will be beneficiaries in the future.



# Forest Revenue Trend Over Time

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# New Revenue Sharing Model



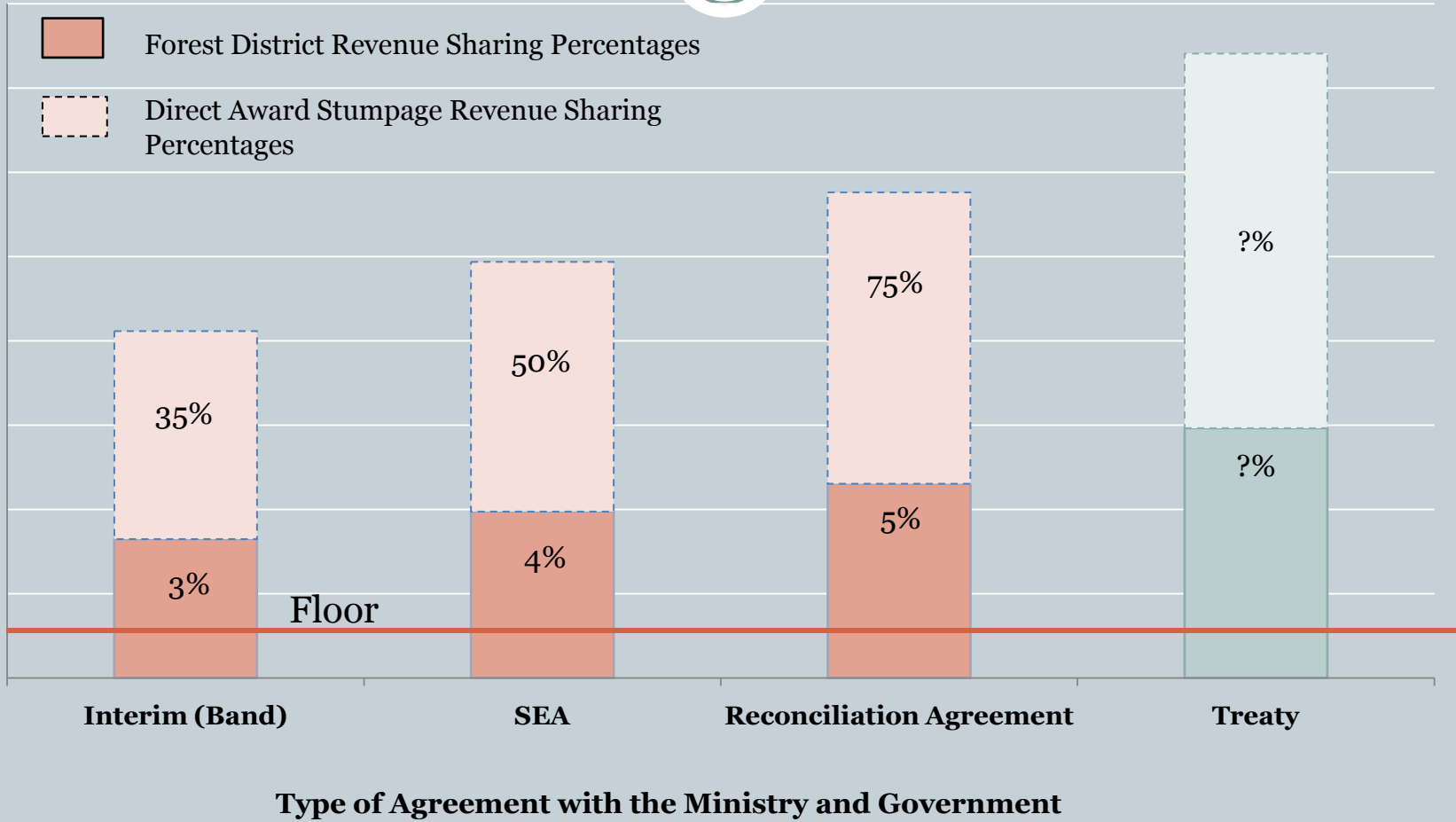
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## Features of new model

- Activity based and market sensitive with 2 components:
  1. A share of district forest revenues based on the traditional territory that overlaps the Timber Harvesting Land Base.
  2. A percent of stumpage paid on direct award tenures that are tied to existing FRA/FRO.
- Model is retrospective.
  - First component – looks back 2 years .
  - Second component – based on 1 year.
  - Calculations are done yearly through term of agreement.
- Payments are made twice a year.



# New Revenue Sharing Model



# Activity Based Revenue Sharing Calculation

## (A x B+C)



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**A** = % of the traditional territory that falls within the timber harvesting land base (THLB) in District X and District Y.

X

**B** = 3% /4%/5% of the District Forest Revenue including:  
•Stumpage, Waste and Annual Rent

+

**C** = 35%/50%/75% of the stumpage paid on the direct award forest tenure that is tied to FRA/FRO

**Note:** Total of A x B can be no less than \$35,000



# Transition Scheme

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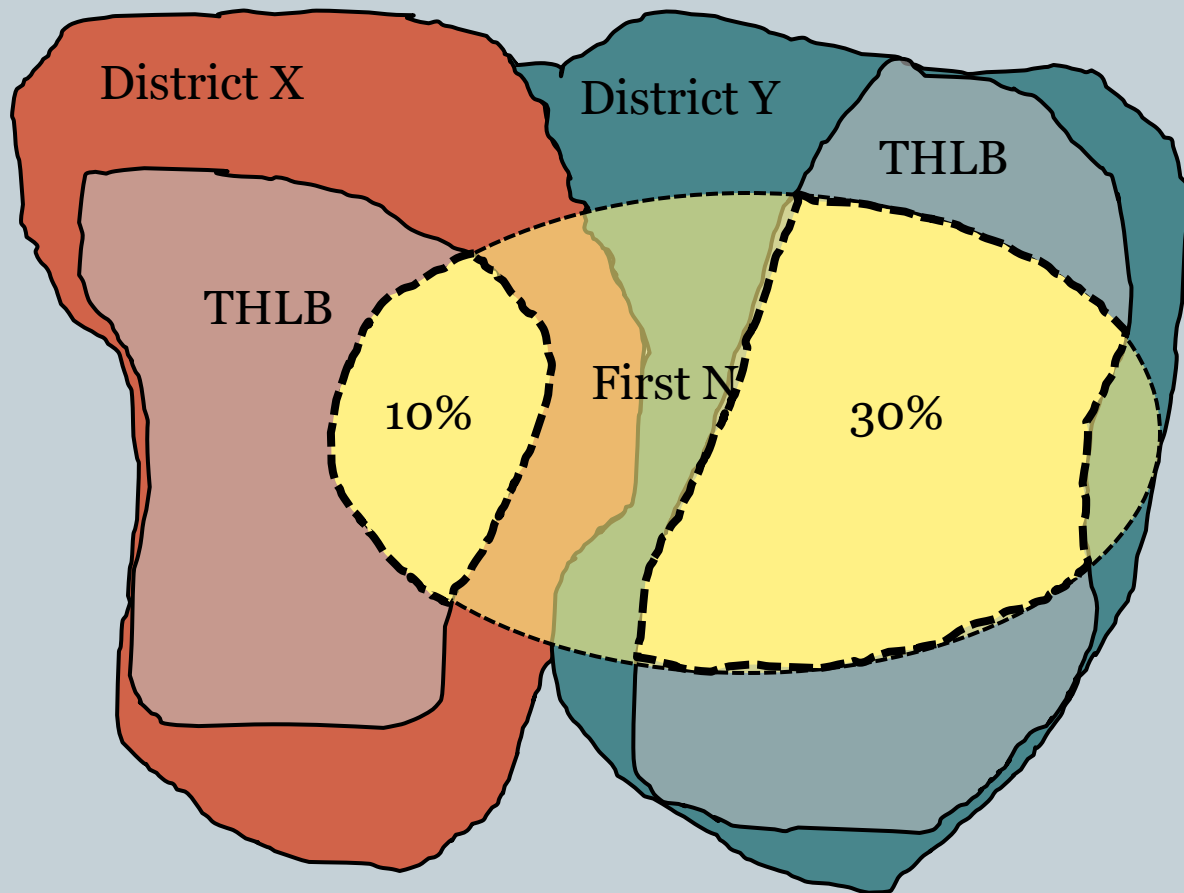
Revenue Sharing Approach	2010/11	2011/12	2012/13	2013/14	2014/15
Percent of Current Payments	69%	59%	55%	50%	0%
Percent of Activity Model	10%	50%	80%	100%	100%

# Hypothetical Example

## “A” – % Share of District



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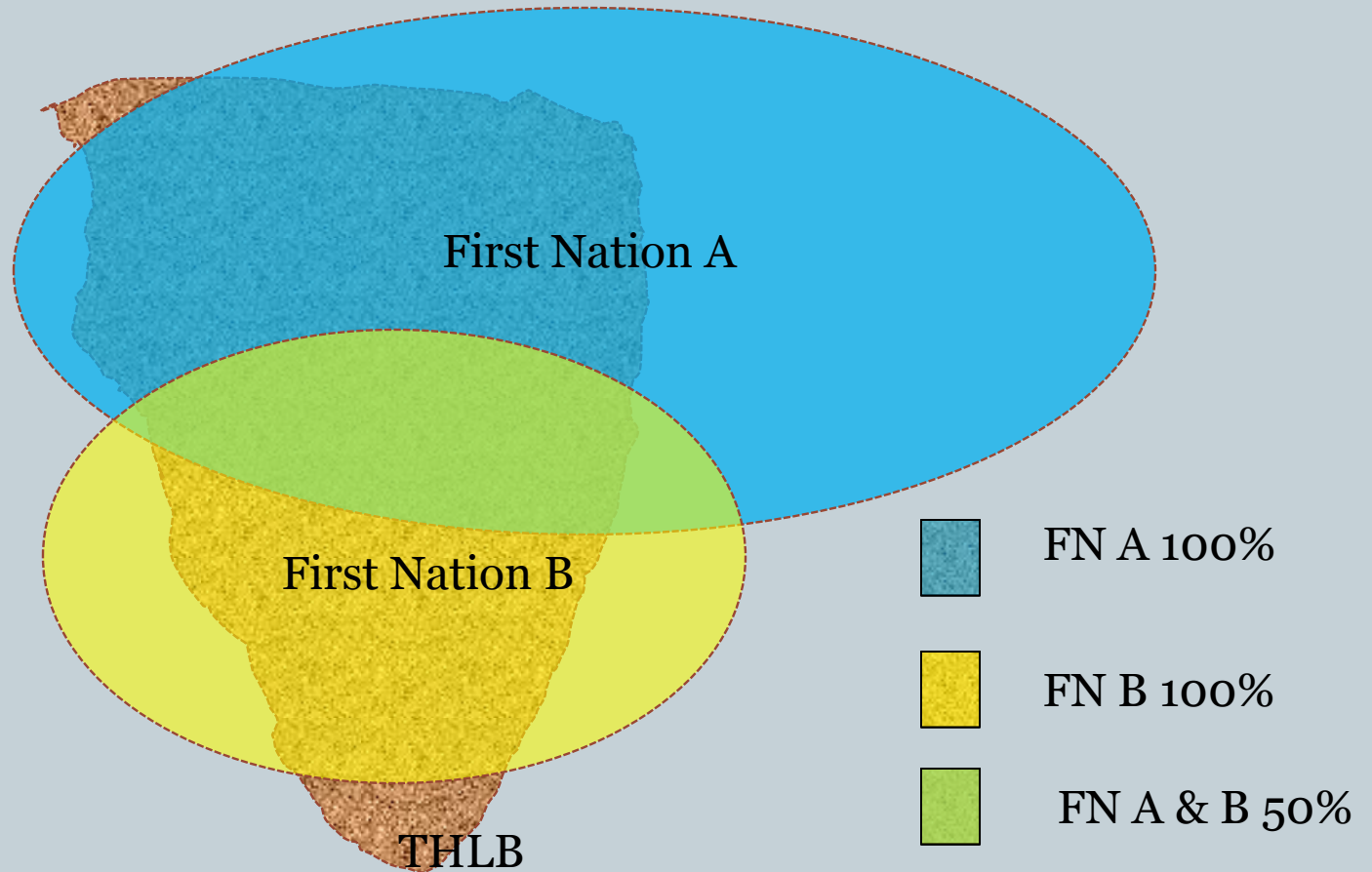


# Hypothetical Example

## First Nation Overlapping Territory



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# Hypothetical Example (AxB) First Nation District Forest Revenue Component



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	Forest District Revenue (Stumpage, Waste, Annual Rent)	First Nation Traditional Territory within the THLB	Revenue Sharing Percentages	First Nation Share of Forests District Revenue
<b>District X</b>	\$5,000,000	10%	3%	\$15,000
<b>District Y</b>	\$10,000,000	30%	3%	\$90,000
<b>Total Share of Forest Revenue</b>				<b>\$105,000</b>

# Hypothetical Example

## (C) Direct Award Stumpage Returned Component



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First Nation Direct Award Licence	Total Stumpage paid on Licence	Revenue Sharing Percentages	First Nation Share of Forest Revenue
A12345	\$123,456	35%	\$43,210
A35476	\$56,789	35%	\$12,098
<b>Stumpage Returned</b>			<b>\$55,308</b>
<b>Forest District Revenue</b>			<b>\$105,000</b>
<b>Total Revenue Sharing for First Nation (A x B) + C</b>			<b>\$160,308</b>

# Hypothetical Example Transition Scheme



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Revenue Sharing Approach	Annual Amount	2010/11 Transition Percentages	Revenue Sharing Payment
Annual Amount of Current FRA/FRO	\$500,000	69%	\$345,000
Annual Activity Model Amount	\$160,308	10%	\$16,030
<b>Total Payment</b>			<b>\$361,030</b>
<b>Percent of current payments</b>			<b>72%</b>



# To Recap...

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- The recommendations from the Minister's Working Roundtable on Forestry are being implemented.
- The current FRAs/FROs will be replaced by two separate agreements:
  - A Revenue Sharing Agreement (FCRSA)
  - A Tenure Agreement (TOA)
- The cornerstones are:
  - Introduction of a new replaceable, area based forest tenure – the First Nations Woodlands Licence (FNWL).
  - Transitioning to an activity based revenue sharing model.

# Next Steps



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- Will negotiate revenue sharing agreement with new policy as agreements expire.
- Expired or expiring forest tenures will be renegotiated into new FNWL (if interest).
- Existing forest tenures continue.
- Can work with First Nations on new regulations for FNWL.