GOVERNMENT OF CANADA RESPONSE TO RECOMMENDATIONS IN THE STANDING COMMITTEE ON NATURAL RESOURCES REPORT:
"ECONOMIC RECOVERY IN CANADA'S FORESTRY SECTOR: GREEN AND INCLUSIVE"

The Government of Canada has reviewed the report of the Standing Committee and thanks its members for their contribution in developing it. The Government also wishes to extend its thanks to the numerous witnesses who gave expert testimony to the Committee, providing the members with a diversity of perspectives on the economic recovery of Canada's forest sector.

The Government of Canada supports all of the Committee's recommendations. The Government's Response to the specific recommendations follows, and will outline federal science, policies, programs and engagement mechanisms that both respond to the recommendations and help drive a sector that reflects resiliency, inclusivity and ingenuity in the face of new and emerging challenges, from the COVID-19 pandemic to global climate change. Canada's forests are sustainable and resilient, and support human well-being, nature, biodiversity and riparian health, a strong economy, including an innovative, circular bioeconomy for a low carbon future.

Home to 9 percent of the world's forests, Canada is fortunate to have access to the breadth of the environmental, social, cultural and economic benefits they offer. Canada's forests play an essential role in the lives of Canadians, including Indigenous and rural communities. The forest sector has long been a pillar of the Canadian economy, contributing $35 billion to gross domestic product in 2021 and providing about 187,000 jobs across the country in 2020. It is a major contributor of income in 300 communities and one of the largest employers of Indigenous peoples, at more than 11,000 workers. Generally, forest-based communities are located in rural areas with limited opportunities for economic diversification. Approximately 70 percent of Indigenous communities are located in or near forested areas, and play an increasingly central role in forest management as Indigenous communities and enterprises hold over 10.5 percent of tenure volume.

Significant structural changes are taking place around the world that impact Canada's forest sector, including, shifting production patterns across the globe, and developments in innovative wood-based products. Demand for print media, such as newsprint and printing and writing paper, has continued to shrink as consumers increasingly turn to digital media. The impacts of climate change are becoming more evident, and governments face increasing public pressure to react with effective policies. Forests as both sink and source of carbon, as well as a major carbon store (in forests and harvested wood products), are critical to achieving Canada's 2050 net-zero goal. The economic impacts of COVID-19 on the forest sector and its economic recovery to date have been uneven. Wood product manufacturing has benefited from periods of high prices for softwood lumber while some paper producers need to transition to new products to ensure the long-term sustainability of the industry. As the Standing Committee's report indicates, the long-term viability of the sector depends on optimizing innovative uses for wood and taking advantage of the many environmental benefits provided by forests and forest products while ensuring forests remain resilient.

Adaptability has been key to meeting the challenges facing the forest sector. Overall, the industry has tremendous opportunities for innovation and growth to maximize the sustainable use of wood fibre, such as: technological advances for new uses for fibre (e.g. biofuels, biomaterials, and biochemicals); rising demand for low-carbon, renewable products that are sustainably sourced alternatives to fossil-based products; growing recognition of the environmental and safety benefits of building with wood; and new demand for forest products from growing economies.

Recognizing a need for a refreshed strategic direction for the sector, the Canadian Council of Forest Ministers (CCFM), released *A Shared Vision for Forests in Canada: Toward 2030* in 2019. The document envisions a future where Canada's sustainable forest management practices maintain resilient forest ecosystems that support vibrant communities, stronger collaborations with Indigenous peoples and a green economy. To advance this vision, Natural Resources Canada (NRCan) is leading discussions with governments, Indigenous peoples and industry partners to further develop nature-based solutions, such as our commitment to plant two billion trees by 2030 and increase forest cover in Canada. Nature-based climate solutions like this will help us achieve net-zero greenhouse gas emissions by 2050, all while improving human wellbeing, supporting biodiversity, and helping Canadians adapt to a changing climate.

STANDING COMMITTEE RECOMMENDATION #1: That the Government of Canada work with the forest industry [sector], research and educational institutions, Indigenous governments and communities, provincial and territorial governments, municipalities and communities located in forested areas to help maintain or enhance sustainably developed and healthy Canadian forests by:

- **supporting research and development on forest ecosystems and the various species of trees and their resilience to climate change, based on the latest scientific data and the knowledge of Indigenous peoples;**
- **increasing the budgets for basic research and development in the forestry industry, particularly for bioproducts, construction and sustainable forestry practices, in a manner that respects the principles of the green transition and the fight against the climate crisis;**
- **investing in the prevention of insect pest infestations and forest fires by sharing best practices in this area across the country's various regions;**
- **encouraging the selective use of wood damaged by natural disturbances;**
- **financially supporting afforestation and reforestation activities that reduce Canada's greenhouse gas emissions; and**
- **supporting initiatives to increase forest cover in Canada's urban areas.**

GOVERNMENT RESPONSE:

The Government of Canada supports this recommendation. Canada leads globally with the highest percentage (74 percent in 2020) of managed forests certified to third-party standards of sustainable practices. Sustainable forest management aims to balance society's need for forest

ecosystem services and products with the need to conserve forest biodiversity and protect forest health. Specifically, sustainable forest management practices include conserving areas within working landscapes that are not subject to harvest, and they consider biodiversity and critical habitat in management planning.

Natural resources management on public lands, including forest management, falls under provincial and territorial responsibility. Rules, regulations and policies that guide forest management vary from one province and territory to another, but they are all based on the principles of sustainable forest management, underpinned by robust science. The federal government has a role in protecting and conserving forest ecosystem health and biodiversity. For example, through Budget 2022, the federal government has committed to protecting old growth forest, particularly in British Columbia, and $55.1 million has been committed over three years to Environment and Climate Change Canada (ECCC) and NRCan to establish an Old Growth Nature Fund.

The science provided by the Canadian Forest Service at NRCan supports forest research and data collection in Canada. Six research centers across the country deliver a broad science portfolio, addressing climate change mitigation and adaptation, wildfire, forest pests, sustainable forest management, cumulative effects of natural resources development in forests, and fibre solutions to develop the bioeconomy.

NRCan has developed several national-scaled plans to guide its forest science, research and engagement activities. These research agendas reflect national interests and priorities for 2019-2029 outlining the path forward to fill knowledge gaps and ensure Canada is a leader in sustainable forest management, especially in the context of adapting to a changing climate. NRCan scientists strive to ensure that methodologies used to monitor and report on Canada's managed forest carbon balance reflect state-of-the-art science and the best available data. The Forest Climate Change program has been conducting regional assessments in collaboration with provincial and territorial governments, as well as Indigenous governments, to understand climate change impacts in local contexts and in one instance, to develop community-led monitoring and adaptation tools.

The changing climate is increasing the risk of natural forest disturbances such as wildfire and pests. As a result, the Government of Canada has established the Wildfire Canada Strategic Network, which focuses on research priorities that will strengthen Canada's ability to prevent, prepare, respond, and recover from wildfire events. NRCan is also currently engaging with Indigenous peoples and organizations to establish an Indigenous Fire Knowledge Working Group to, for example, facilitate the co-creation of fire management strategies. NRCan's ongoing forest pest research addresses plant health protection and sustainable forest management priorities, including urban forest health.

Canada's forests must face the realities of a changing climate and researchers are working to mitigate the effects of natural disturbances, such as forest pest outbreaks, to support the long-term protection of our environment. The federal government has provided assistance for

exceptional pest outbreaks. For example, Budget 2018 committed to providing up to $74.75 million over five years, starting in 2018–19, to prevent the spread of spruce budworm, as well as federal funding of $68.4 million over three years to help control, research and mitigate the impacts of the mountain pine beetle on Canada's forests.

The 2021 wildfire season strained the country's resources, highlighting the need for greater response capacity while also increasing the sense of urgency to transform wildland fire management in Canada. To take action, the Minister of Natural Resources' 2021 mandate letter commitments include supporting the training of firefighters, investing in equipment, supporting Indigenous fire management and other measures to address wildfires and the establishment of an international center of excellence. Budget 2022 provided $516 million over 11 years starting in 2022-23, with $6.9 million in remaining amortization and $0.6 million ongoing to counter the growing threat of wildfires in Canada including by: supporting provinces and territories procure firefighting equipment such as vehicles and aircrafts ($269 million over five years); supporting the purchase of firefighting equipment by First Nations communities ($39.2 million over five years); training an 1,000 additional firefighters and incorporate Indigenous traditional knowledge in fire management ($37.9 million over five years); and support the delivery and operation of a new wildfire monitoring satellite system ($169.9 million over 11 years).

The CCFM is a key vehicle for federal, provincial and territorial governments to share best practices, provide leadership and promote action on common forest and forestry-related issues. This forum includes working groups on wildland fire management and forest pests and diseases, among others. Not only do they work to share practices, but they also develop and implement strategic improvements to managing forest natural forest disturbances. Of note, the CCFM has acknowledged the serious impacts faced across affected regions during another challenging wildland fire season and released its Wildland Fire Management Working Group's *Action Plan 2021-26,* which includes a focus on enhancing Canada's resilience to wildland fire by seeking to mobilize all sectors of society. Through collaboration, research and innovative forest and land management practices, the goal is to transform the focus of wildland fire management towards prevention, mitigation and preparedness. This includes the delivery of the Canadian Dialogue for Wildland Fire and Forest Resilience to inform the development of a national Wildland Fire Prevention and Mitigation Strategy.

At an operational level, the Government of Canada supports the Canadian Interagency Forest Fire Centre (CIFFC) to facilitate wildfire management information and knowledge exchange. With its recent amalgamation with FireSmart Canada, CIFFC will also support whole of society collaboration on fire prevention and mitigation and opportunities to share best practices with government, private, and non-government sectors. The Government of Canada is responsible for the management of wildland fire in national parks through Parks Canada, and supports wildland fire risk reduction on Indigenous lands through Indigenous Services Canada, and on other lands through Infrastructure Canada investments under the Disaster Mitigation and Adaptation Fund. The Government of Canada is also facilitating knowledge exchange through the National Research Council (NRC)'s newly developed Wildland Urban interface Guide. The

Guide is intended to enhance life safety, property protection and community resilience to fires by providing guidance on hazard and exposure assessment, construction measures, vegetation management and community planning.

In partnership with provinces and territories, NRCan collects data to help ensure that Canada's forest ecosystems remain resilient, now and for generations to come. This data and information is brought together in an annual *State of the Forest* report, produced by NRCan as per the *Report on the State of Canada's Forests Regulations* under the *Department of Natural Resources Act*. To increase the data available, Budget 2021 announced $28 million over five years, starting in 2021-22, in part to support forest mapping in the north to help community wildfire resilience. Data collected from mapping Canada's Northern forests will feed into science-based tools for fire management such as a National Risk Profile and the Canadian Forest Fire Danger Rating System.

The Government of Canada collaborates with international partners to develop innovative approaches that support the health of urban and rural forests across North America. For example, the North American Forest Commission and the Canada-United States Forest Health Summit offer opportunities to share best practices and develop solutions to common issues affecting forests.

Continued investment in Canada's bioeconomy through research and development supports resilient forest ecosystems that can provide solutions towards achieving net-zero emissions by 2050. These solutions include the development of advanced bioproducts, green construction and forest management practices that reduce the potential of forests to be carbon sources and increase their potential to be carbon sinks. Through the Canadian Wood Fibre Centre, NRCan collaborates with provinces and territories, universities and other research centres, professional associations, Indigenous and rural communities to develop and deploy research and innovations that help sustain a prosperous forest-based bioeconomy. With particular attention to residual or waste fibre such as trees damaged by natural disturbances, NRCan works collaboratively to understand what fibre is best suited for traditional and innovative wood products and processes, how to locate and "map" these resources, and ultimately how best to ensure biomass availability through greater efficiencies and use, within the allowable harvesting limits.

Transformation is also important in our built environment, which is a significant contributor to greenhouse gases. Wood based construction, including mid-rise and tall wood buildings, can store carbon and life-cycle analysis has quantified their contribution to meet Canada's climate change targets. Research and development activities for domestic wood-based construction are primarily supported through the Government's Green Construction through Wood (GCWood) program ($39.8 million over four years, starting in 2018-19) and numerous industry and research partnerships in Canada.

Conservation and sustainably managing ecosystems that are high in carbon, such as forests, are key to meeting Canada's greenhouse gas reduction targets and highlighted in Canada's

strengthened climate plan, *A Healthy Environment and A Healthy Economy*. Planting two billion trees by 2030 is a 40 percent annual increase in the number of trees already being planted in Canada, and will cover 1.1 million hectares, an area twice the size of Prince Edward Island. The 2 Billion Trees (2BT) program supports partnerships with provinces and territories, Indigenous communities and organizations, municipalities, industry, non-governmental organizations and private landowners across the country. Through these partnerships, 2BT will achieve multiple objectives, including lower emissions by up to 12 megatonnes annually by 2050 while also supporting increased forest cover and health in urban areas. The Government recognizes the important role of forest conservation in fighting climate change while providing other benefits such as biodiversity. The 2BT program is part of Canada's commitment to support the implementation of nature-based climate solutions, including protecting and restoring Canada's grasslands, wetlands, peatlands, and farmlands. As such, the 2BT program includes targeted funds to support Indigenous-led projects with activities throughout the tree planting supply chain, from sourcing seed to monitoring and capacity building. The trees planted will also achieve key biodiversity, conservation, and human well-being co-benefits. By planting the right tree species in the right places and restoring wildlife habitat, tree planting will enhance biodiversity and forest resilience to climate change.

As outlined in *2030 Emissions Reductions Plan: Canada's Next Steps for Clean Air and a Strong Economy*, habitat conservation and protection not only plays an essential role in preserving the functioning and health of biodiversity, but also has significant carbon sequestration potential. To take action, Budget 2022 invested another $780 million over five years starting in 2022-23 in the Nature Smart Climate Solutions Fund which supports projects that conserve, restore and enhance wetlands, peatlands and grasslands to capture and store carbon.

Finally, the Government is continuing to identify opportunities to improve forest cover in Canada's urban areas and achieve the commitment to protect 25 percent of Canada's lands by 2025 and 30 percent by 2030. Since 2018, this has been supported through Canada's Initiative and the Government's commitment to explore ways to expand urban parks. Urban forests are critical for cleaner air, keeping the temperature cooler in the summer and the wind velocity lower in the winter. Urban forests increase the value of property and provide critical habitat for plants and animals. But most importantly, urban forests can contribute to the resiliency of cities and towns by creating conditions that lessen the effects of climate change.

STANDING COMMITTEE RECOMMENDATION #2: That the Government of Canada renew its support for the forestry [forest] sector and take advantage of the great potential offered by the forest bioeconomy and value-added forest products by:

- **improving the effectiveness of government programs to support the development and commercialization of value-added forest products and adjusting them to eliminate disparities that benefit Western provinces over Eastern provinces;**
- **improving access to government funding for the sector's small and medium-sized businesses, including Indigenous businesses, in part by providing direct support for**

project submissions and expanding the criteria for funded projects to include business start ups and infrastructure construction;

- **negotiate an agreement with the United States to exempt a certain amount of wood from trade agreements so that small and medium sized wood processing companies can support themselves financially without running the risk of retaliatory trade action;**
- **supporting the pulp and paper industry's efforts to diversify, including value-added product manufacturing, and providing solutions that meet the capital requirements of converting their facilities; and**
- **increasing access to modern communication technologies for forest companies in remote regions so that they can enhance and automate their operations.**

GOVERNMENT RESPONSE:

The Government of Canada supports this recommendation and is committed to advancing development and commercialization of value-added forest products across Canada. The Government supports the forest sector by shifting the innovation continuum from early stage research to prototypes, demonstration and full commercialization. Through the Forest Innovation Program (FIP), the Government supports pre-commercial research and development. With two research facilities in Quebec and British Columbia, the Government of Canada's FIP has enabled the research and development of more than 40 forest products or process innovations. Developments in new bio-products and advancements in mid-rise and tall wood building construction are just some of the examples of the high-value products generated under FIP.

The Government of Canada recognizes that the pulp and paper industry is facing a number of challenges that have been exacerbated by the global COVID-19 pandemic. Demand for some products (e.g., graphic paper including newsprint) has declined significantly in recent decades, fibre supply constraints negatively affect operations in many regions, and end-use markets are changing rapidly (e.g., consumer preferences are shifting in favour of sustainability concerns). The Government of Canada is committed to advancing solutions for pulp and paper operations that support a transition toward new and emerging opportunities, particularly in the circular bioeconomy. For example, the Investments in Forest Industry Transformation (IFIT) program has funded innovative projects advancing the diversification of the pulp and paper facilities across Canada.

At NRCan, a number of the technologies developed under FIP are now being commercialized under IFIT. The IFIT program offers support to successful applicants in the Canadian forest sector to implement innovative, first-in-kind technologies in their facilities. To date, IFIT has successfully funded many projects involving world-first technologies, which have created new products or diversified proponents' product offerings. Through the program, NRCan is investing in the bioeconomy, ensuring the sector remains at the forefront of innovation. For example, using compostable bioplastics made from wood-based biomass to produce biodegradable

masks, which provide an environmentally friendly alternative to single-use plastics. To advance this work, the CCFM released a *Forest Bioeconomy Framework for Canada* in 2017 and, as agreed in 2021, is now working renew it.

Budget 2021 proposed an additional $54.8 million over two years, starting in 2021-22, to support Breakthrough Bioeconomy Solutions in Canada's forest sector, delivered through a top-up to NRCan's IFIT program. This additional funding is helping de-risk shovel-ready forest bioeconomy investments, support the creation of new jobs across the country and help Canadian firms capture a growing share of the global circular bioeconomy market. Regarding regional benefits, it is important to recognize that the forest sector varies across the country by type of forest product, fibre availability and market access. For example, the forest industry in western Canada specializes in softwood lumber whereas central and eastern Canada produces the majority of hardwood lumber and pulp and paper products. The Government will continue to support interested stakeholders in effectively leveraging all federal programs that support the development and commercialization of value-added forest products in all regions of Canada.

In the 2018 Fall Economic Statement, the Government of Canada committed to supporting the commercialization of innovative processes and products in the forest sector through the Strategic Innovation Fund (SIF). This funding supports the development of clean technologies to produce bio-based products in Canada's forest sector, such as bio-based plastics for bottles, clothing and tires. The Government's strengthened climate plan announced in December 2020, *A Healthy Environment and a Healthy Economy*, and Budget 2021 have continued clean technology investments through an $8 billion over seven years investment in the SIF's Net Zero Accelerator (NZA). The fund aims to support projects that will help decarbonize heavy emitters, facilitate industrial transformation towards low-carbon processes or products, support clean technology development, and contribute to developing a national battery innovation and industrial ecosystem.

The forest sector is also benefitting from federal programming to support nature-based solutions for greenhouse gas reductions like NRCan's Clean Growth Program and Clean Growth Hub as well as ECCC's Low Carbon Economy Leadership Fund. For example, the Leadership Fund is supporting provincial and territorial efforts to manage their forests, including harvesting practices, to reduce emissions and sequester carbon. In addition, NRCan's GCWood program aims to increase the use of mass timber as a greener construction material in taller buildings and public infrastructure projects to support Canada's climate goals.

NRCan recognized the particular vulnerability of small and medium-sized enterprises (SMEs) in the face of the challenges brought on by the COVID-19 pandemic. In July 2020, Government of Canada provided $30 million to provinces to help small and medium-sized enterprises operating in the forest sector to defray increased costs associated with COVID-19 health and safety measures to ensure a successful 2020 tree-planting season. This resulted in 600 million trees being safely planted and preserved jobs for 7,000 forest sector workers.

NRCan's Indigenous Forestry Initiative (IFI) encourages Indigenous participation in the forest sector, by supporting forest-based Indigenous-led economic development including capacity-building such as training-to-employment and business planning for future start-ups. The IFI was renewed to invest $15.6 million over three years starting in 2020-21 in contributions to Indigenous SMEs and communities. Interest in the IFI continues to grow, as seen in the record 135 applications received in 2021. Since 2017, the IFI program has supported over 128 projects with over 120 Indigenous communities, and trained 915 Indigenous individuals in forestry-related competencies, which has led to the creation of over 692 jobs and 41 new or expanded businesses. Along with IFI, NRCan and Indigenous Services Canada administers the Forest Full Value Initiative ($950,000 per year for starting in 2018-19 for five years) to partner with Indigenous communities in Quebec to help them participate in the emerging bioeconomy, including in biofuels and bioenergy projects.

SMEs are an essential part of the Canadian economy. In the forest sector, SMEs are an important source of jobs, innovation and diversity. Targeted support for SMEs is the latest in a long history of support, including for Indigenous businesses, dating back twenty-five years. The Government of Canada is supporting Indigenous businesses and entrepreneurs, including in the forest sector, through the Aboriginal Entrepreneurship Program, the COVID-19 Indigenous Small and Medium-sized Enterprises Initiative and the Indigenous Growth Fund, launched in 2021. The government will continue to consider different ways in which SMEs across Canada can be encouraged to leverage economic opportunities abroad and will incorporate SME perspectives, including Indigenous businesses, in trade policy decisions, including in future trade agreements.

Achieving a green and inclusive recovery requires that forest sector firms and forest stakeholders have access to technology, including modern communication tools. The Government of Canada recognizes that many rural and remote communities in Canada are underserved by technological infrastructure, creating a digital divide that affects businesses, workers, and all people who live in these areas. To address the digital divide, the Government has committed to connect 98 percent of Canadian households to high-speed internet by 2026 and all households by 2030. To achieve this objective, the Government has made a number of investments including $2.75 billion to connect rural and remote communities through the Universal Broadband Fund run by Innovation, Science and Economic Development Canada. Many forest sector operations are located in these rural and remote communities, which will benefit from these investments in connectivity, including Indigenous communities.

The Government remains committed to working with provinces, territories, Indigenous communities and leaders, and industry to ensure companies and communities across the country are able to effectively leverage these programs and advance the transformation of the sector.

STANDING COMMITTEE RECOMMENDATION #3: That the Government of Canada work with the forest industry [sector], research and educational institutions, Indigenous governments

and communities, and provincial and territorial governments to develop a value chain in Canada's forestry sector, increase market opportunities and reduce Canada's greenhouse gas emissions by:

- **developing a public procurement policy that favours the purchase and use of low-carbon-intensity products, including wood products, and establishing the carbon footprint as a criterion for awarding contracts;**
- **changing the National Model Codes to allow the construction of tall wood buildings in Canada;**
- **adopting building environmental performance standards that encourage the use of low-carbon-intensity materials and are based on the latest scientific data, and establishing the carbon footprint as a criterion for awarding contracts;**
- **financially supporting the transition of residential and industrial energy systems, notably those in remote regions, to low-carbon-intensity systems, including those that utilize forest biomass;**
- **assessing the challenges and benefits of implementing a bioproduct certification system that enables consumers to be better informed about the composition of a product and that is based on international best practices in this area;**
- **improving workforce training programs, including by highlighting the new uses of wood products; and**
- **offering more opportunities for skills training and work experience sharing between industries with similar expertise.**

GOVERNMENT RESPONSE:

The Government of Canada supports this recommendation. The Government recognizes that emerging opportunities for novel forest products can support sustainability objectives and maintain Canada's competitive advantage in the forest sector while also supporting resilient forests that enhance biodiversity. This includes the conversion of sustainably-sourced forest residues into bioenergy to decarbonize heating and biofuels markets in Canada, producing bioplastics designed for a circular economy and advanced fiber based packaging products as alternatives to traditional plastics, and increasing production of engineered wood products to capture growing demand for low carbon building materials and retrofits, as well as improved energy efficiency.

Through Treasury Board Secretariat's Greening Government Strategy, federal departments will ensure that all new buildings and major building retrofits prioritize low-carbon and climate resilience. Investment decisions will be based on total cost of ownership informed by a life-cycle cost-benefit analysis and a climate change risk assessment. Embodied carbon of structural materials in major projects will be disclosed starting 2022 and reduced by 30 percent starting 2025. This policy is supported by the NRC's Low-Carbon Assets through Life Cycle Assessment initiative, which includes developing data and guidelines to support the public sector identify and select low-carbon construction materials. The initiative will support low-

carbon procurement by federal, provincial and municipal governments as well as the design and construction industry.

Over the last 15 years, the Government of Canada has funded extensive research and development activities in support of codes and standards to facilitate expanding use of wood in the domestic and international construction markets. The codes and standards activities and its associated research and development work have been led by Canadian research organizations such as the NRC, Canadian universities, industry associations and others.

The NRC provides administrative support to the Canadian Commission on Building and Fire Codes, an independent committee of volunteers, responsible for developing and updating the National Model Codes. Provinces and Territories have the responsibility for regulating construction through their construction codes, and adopt or revise the National Model Codes for use in regulation. The 2020 editions of the National Model Codes, published March 28, 2022, allow encapsulated mass timber to be used in buildings up to 12 stories. Future efforts will focus on ensuring wood is treated in the same way as other conventional building materials in the National Model Codes: based on their performance. Extensive fire and structural testing and research suggests that there is potential for mass timber buildings than 12 storeys.

The GCWood program is supporting the move towards a performance-based building code that could allow for the continued evolution of new innovative designs currently being seen in the low-carbon construction market. A key aspect of this program is investments in showcasing innovative wood-based technology through demonstration projects and in advancing wood education at Canadian engineering and architectural schools to inform future architects and engineers in how to design and build with wood.

Budget 2022 provided strategic support to the NRC to conduct further research and development on innovative construction materials and to revitalize national housing and building standards to encourage low-carbon solutions ($183.2 million over seven years, starting in 2022-23, and $7.1 million ongoing to NRC). This proposal will provide resources to NRC that will support, among other priorities, research and development that would enable the adoption of Performance Based Building Codes, and enhanced use of mass timber in the National Building Code of Canada. These are priorities that GCWood has been promoting to NRC for the last 5 years, and these efforts are highly complementary.

Implementing nature-based solutions for a more sustainable and clean energy future also includes reducing reliance on diesel and other fossil fuels in Canada's rural and remote communities and industrial sites. Since 2018, the Government has supported clean energy infrastructure projects through NRCan's Clean Energy for Rural and Remote Communities (CERRC) program. This program includes support for the installation, retrofit or investigation into the feasibility of proven biomass combustion heating systems. The program aims to reduce environmental impacts of fossil fuel use and increase direct and indirect social benefits, including clean job creation and increased energy autonomy, including for Indigenous

communities. Since 2018-19, the BioHeat stream of the program has supported 40 projects in 90 Indigenous communities across the country, which will lead to 7 million litres of fossil fuels reduced per year.

In addition, the NRCan's IFI has partnered with Indigenous Services Canada (ISC) to co-fund the Strategic Partnerships Initiative for Indigenous economic development from Northern and Remote Forest Biomass. This $9 million, over five years starting in 2017-18 initiative supports the development of forest biomass supply streams for residential and industrial markets, as well as the adoption of biomass for heating and energy solutions in rural and remote Indigenous communities. This work aims to build local capacity, allow for community participation in the management of natural resources and launch new businesses.

Further supporting a value chain in Canada's forest sector also requires attention to developing a diverse workforce with the required skills to participate. Employment and Social Development Canada (ESDC)'s Sectoral Workforce Solutions Program helps key sectors of the economy, including the forest sector, implement solutions to address current and emerging workforce needs. The program funds sectoral projects that focus on a range of industry-driven activities such as training and reskilling workers, helping employers retain and attract a skilled and diverse workforce and other creative solutions to help sectors address labour market needs.

NRCan's FIP has partnered with the Natural Sciences and Engineering Research Council of Canada (NSERC) to develop the Canadian Forest Sector Workforce Diversity undergraduate supplements. This supplement provides research opportunities in natural sciences and engineering to highly qualified individuals in research areas of relevance to the Canadian Forest Sector. It also addresses diversity gaps and supports the renewal of the forest sector workforce. The FIP is also facilitating the characterization and the development of standards for emerging new biomaterials, notably cellulosic nanomaterials, and lignin. These are necessary steps for the development of certifications, once the products have reached the markets and are ready to be produced on a larger scale.

There is also the ESDC's Student Work Placement (SWP) Program, which supports students to better prepare for work, employers to develop and recruit talent and post-secondary institutions to keep pace with changes in the workplace. It includes a focus on promoting and encouraging the inclusion of under-represented groups. In 2019, the Government of Canada also made a commitment to introduce "Just Transition" legislation to support workers and communities during the transition to a low carbon economy. Like in other resource industries, forest sector workers face uncertainty and a rapidly changing environment.

As a result of the diversity and inclusion measures put in place with the renewal of NRCan's forest sector funding programs, multiple companies in the Canadian forest sector are putting in place diversity and inclusion workplans to make the forest sector a more inclusive workplace, which will help them take full advantage of the available workforce. In collaboration with NSERC, NRCan is offering funding to students, from underrepresented groups, through NSERC's

Undergraduate Student Research Awards to increase inclusive Canadian research capacity in the forest sector. In addition, Women and Gender Equality Canada has supported efforts to help remove the barriers that prevent or discourage women from pursuing rewarding middle class jobs and careers in the forestry industry.

STANDING COMMITTEE RECOMMENDATION #4: That the Government of Canada continue its diplomatic and trade efforts to improve access to international markets for Canadian forest products by:

- **reaching a softwood lumber trade deal with the United States;**
- **improving access to liquidity for forestry companies affected by tariffs stemming from the softwood lumber dispute with the United States while ensuring compliance with international trade rules;**
- **demonstrating global leadership to implement a reform of trade dispute settlement mechanisms through the World Trade Organization;**
- **supporting the diversification of export markets, including through the Expanding Market Opportunities program, the Trade Commissioner Service and CanExport, taking into account regional differences and priorities; and**
- **continuing to promote Canadian wood products, including value-added products, among Canada's trading partners.**

GOVERNMENT RESPONSE:

The Government of Canada supports this recommendation and will continue to help create new market opportunities beyond Canada's borders. The softwood lumber industry is an important sector in the Canadian economy, supporting thousands of jobs in communities across Canada and creating many positive spin-off effects in related industries and services. Canada's modern, efficient, environmentally sustainable lumber companies have the potential to serve markets at home and around the world.

Following the expiry of the 2006 Canada-United States (U.S.) Softwood Lumber Agreement in October 2015, the U.S. imposed countervailing (CVD) and anti-dumping (AD) duties against imports of certain softwood lumber products from Canada in 2017. Following the results of the second administrative reviews issued in November 2021, the average combined "All Others" duty rate became 17.91 percent. Subsequent annual Administrative Reviews will continue to impact duty rates going forward.

Canada has challenged U.S. duties in nine proceedings. Under NAFTA Chapter 19, Canada challenged the U.S. Department of Commerce's (Commerce) CVD and AD final determinations, and the U.S. International Trade Commission's (ITC) final determination of material injury. In May 2020, a NAFTA panel affirmed the ITC's decisions on remand that imports of Canadian softwood lumber materially injured U.S. domestic industry. The CVD and AD NAFTA Chapter 19 challenges remain ongoing. Canada also initiated CVD and AD challenges before the World Trade Organization (WTO). The panel reports for both WTO challenges included important

victories for Canada, but these were ultimately appealed. Due to the WTO Appellate Body's lack of quorum, both challenges remain at the appeal stage. Finally, under Chapter 10 of the Canada-United States Mexico Agreement, Canada is pursuing challenges related to Commerce's first and second administrative reviews of the CVD and AD duty orders.

The WTO is at a crossroads and faces many challenges that are stressing the multilateral trading system including the Appellate Body impasse caused by the U.S. blockage of the appointment of Appellate Body members. The impasse has prevented the WTO Dispute Settlement (DS) system from fully functioning since December 2019. Canada is a strong supporter of a rules-based multilateral trading system. A binding, independent, DS system that provides for appellate review greatly improves security and predictability in international trade; it also provides an impartial forum to avoid the politicization of trade disputes. In order to address the Appellate Body impasse, Canada has contributed significantly to discussions at the WTO, and pioneered the work that led to the Multi-Party Interim Appeal Arbitration Arrangement. On WTO Reform more broadly, Canada brought together the Ottawa Group on WTO Reform, a representative group of WTO members committed to supporting and strengthening the multilateral trading system. The Ottawa Group is convened by Canada on a regular basis to engage in meaningful exchanges to enhance and improve the WTO over the short, medium, and long term.

There is increasing domestic pressure on the U.S. government to address price and supply challenges, including negotiating a softwood lumber agreement. The pressure stems from U.S. homebuilders, members of Congress, and consumer groups, among others. However, to date the U.S. government has not expressed interest in returning to negotiations. Canada's position remains that a negotiated solution is in the best interests of both countries. As such, a new softwood lumber agreement continues to be a top priority. Canada is prepared to re-engage in negotiations when the U.S. is ready to discuss realistic proposals that would be acceptable to Canadian industry. In the meantime, the Government of Canada will continue to challenge unwarranted and unfair duties imposed on Canadian forest products. The Government of Canada will also continue efforts to monitor and address (where appropriate) recent proposed legislation in some U.S. states that would affect public procurement of Canadian forest products.

Recent strong lumber prices are helping many firms' overall profitability, despite duties. This has led to strong profitability throughout most of 2020 and 2021. As a result, Canadian lumber producers have announced a number of large CAPEX investments in 2021. In response to any specific requests that may be made, the Government of Canada will explore options to address liquidity needs of Canadian companies, while remaining in compliance with Canada's international trade obligations.

To date, the Government of Canada has been successful in developing new markets in new places, such as China, and for new end-uses, such as mid-rise buildings. Through numerous partnerships with the provinces and industry, the Government seeks to build on this track record to help the forest sector adapt to an increasingly globalized marketplace while

capitalizing on emerging products opportunities. For example, through its Expanding Market Opportunities program, the Government of Canada provides support for market development initiatives and supports in-market industry representation through a network of offshore offices. This work is complementary to other support provided by: the Industrial Research Assistance Program; Export Development Canada; Regional Development Agencies; Global Affairs Canada's Trade Commissioner Service; and provincial supports. Taken together, these initiatives help to create new markets for existing products and new products for existing markets, catalyzing interest in applications of forest-derived fibre and ultimately helping to maintain forest-related jobs through a green and inclusive recovery.

CONCLUSION:

This Government response describes the concrete science, policies and programs, either underway or planned that address all of the Committee's recommendations. The Government agrees with all of the Committee's recommendations, which are well-aligned with the Government's current direction to support a forest sector that plays a vital role in the fight against climate change, habitat loss, and biodiversity loss, fostering innovation and driving a green and inclusive recovery. Canada's forests are poised to help transition our economy and reach net-zero emissions by 2050. NRCan, as per its mandate, is working to address the Committee's recommendations through its science, policies, delivery of ongoing external-facing programs, and through collaboration with provinces, territories, industry, academia and Indigenous communities and leaders.