First Nations Opportunities in the Forest Sector
FRA or FRO will be replaced by 2 stand alone agreements:

**Previous FRA/FRO**

- **Revenue Sharing Agreement**
  - forest revenue
  - consultation

- **Tenure Agreement**
  - FNWL
  - NRFL
  - FLTC
First Nations Woodland Licence

Background


- 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

**Features of New FNWL**

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

#### Features of New FNWL (cont’d)

<table>
<thead>
<tr>
<th>Current Tenure Policy</th>
<th>First Nations Woodland Licence Features</th>
<th>Rationale for the Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Basic stewardship responsibilities</td>
<td>Expanded stewardship responsibilities. Management plan required, including inventories and AAC setting, as well as opportunity to manage cultural heritage resources. First Nation can choose to do either a Forest Stewardship Plan or a Woodlot Licence Plan if the size of the FNWL is &lt;=800 ha on Coast or &lt;=1200 ha in Interior. Otherwise must complete a FSP.</td>
<td>Better meets First Nations’ interests in land and resource stewardship close to their communities. Greater flexibility for managing the land base.</td>
</tr>
</tbody>
</table>
## Features of New FNWL (cont’d)

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

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

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

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

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

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

- $ Stumpage Revenue

### Forest Revenue (Millions)

- 2004/2005: $1,400
- 2005/2006: $1,200
- 2006/2007: $1,000
- 2007/2008: $800
- 2008/2009: $600

- 2004/2005
- 2005/2006
- 2006/2007
- 2007/2008
- 2008/2009
New Revenue Sharing Model

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

- Forest District Revenue Sharing Percentages
- Direct Award Stumpage Revenue Sharing Percentages

<table>
<thead>
<tr>
<th>Type of Agreement with the Ministry and Government</th>
<th>Interim (Band)</th>
<th>SEA</th>
<th>Reconciliation Agreement</th>
<th>Treaty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor</td>
<td>35%</td>
<td>50%</td>
<td>75%</td>
<td>?%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>?%</td>
</tr>
</tbody>
</table>
Activity Based Revenue Sharing Calculation

(A \times B + C)

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

- **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 \times B can be no less than $35,000
## Transition Scheme

<table>
<thead>
<tr>
<th>Revenue Sharing Approach</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Current Payments</td>
<td>69%</td>
<td>59%</td>
<td>55%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>Percent of Activity Model</td>
<td>10%</td>
<td>50%</td>
<td>80%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Hypothetical Example
“A” – % Share of District

District X

District Y

THLB

THLB

First N

10%

30%
Hypothetical Example
First Nation Overlapping Territory

First Nation A

First Nation B

THLB

FN A 100%

FN B 100%

FN A & B 50%
**Hypothetical Example**  
*(AxB) First Nation District*  
**Forest Revenue Component**

<table>
<thead>
<tr>
<th>Forest District Revenue (Stumpage, Waste, Annual Rent)</th>
<th>First Nation Traditional Territory within the THLB</th>
<th>Revenue Sharing Percentages</th>
<th>First Nation Share of Forests District Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>District X</strong></td>
<td>$5,000,000</td>
<td>10%</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>District Y</strong></td>
<td>$10,000,000</td>
<td>30%</td>
<td>$90,000</td>
</tr>
<tr>
<td><strong>Total Share of Forest Revenue</strong></td>
<td></td>
<td></td>
<td>$105,000</td>
</tr>
</tbody>
</table>
### Hypothetical Example
#### (C) Direct Award Stumpage Returned Component

<table>
<thead>
<tr>
<th>First Nation Direct Award Licence</th>
<th>Total Stumpage paid on Licence</th>
<th>Revenue Sharing Percentages</th>
<th>First Nation Share of Forest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>A12345</td>
<td>$123,456</td>
<td>35%</td>
<td>$43,210</td>
</tr>
<tr>
<td>A35476</td>
<td>$56,789</td>
<td>35%</td>
<td>$12,098</td>
</tr>
</tbody>
</table>

**Stumpage Returned**  
$55,308

**Forest District Revenue**  
$105,000

**Total Revenue Sharing for First Nation**  
$(A \times B) + C$  
$160,308$
### Hypothetical Example
#### Transition Scheme

<table>
<thead>
<tr>
<th>Revenue Sharing Approach</th>
<th>Annual Amount</th>
<th>2010/11 Transition Percentages</th>
<th>Revenue Sharing Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Amount of Current FRA/FRO</td>
<td>$500,000</td>
<td>69%</td>
<td>$345,000</td>
</tr>
<tr>
<td>Annual Activity Model Amount</td>
<td>$160,308</td>
<td>10%</td>
<td>$16,030</td>
</tr>
<tr>
<td><strong>Total Payment</strong></td>
<td></td>
<td></td>
<td><strong>$361,030</strong></td>
</tr>
<tr>
<td><strong>Percent of current payments</strong></td>
<td></td>
<td></td>
<td>72%</td>
</tr>
</tbody>
</table>
To Recap...

- 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

- 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.