

# **Re-Localization of the Forest Economy**

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As the cost of transport energy rises there is an increasing potential for the global marketplace to provide more room for local and regional economies to reverse the trend toward large scale as the source of competitiveness. It may turn out that the “economies of scale” that will work for us in the future are smaller, more community and employment friendly, more specialized and more mindful of sustainability. In the short run this is evident in the calls for tenure reform and the separation of milling from growing, the success of community forests with active log yards, and the economic diversification strategies of the beetle action coalitions. Future resilience of our forest industry may be better served by a host of small and medium enterprises than a few, massively vulnerable giants.

There are three major tidal forces that are affecting our forest industry and that have significant implications for the future viability of rural communities - economic, ecological and organizational.

## 1. Economic challenge to the Forest Industry

Our forest industry is challenged by the collapse in the American housing market, restricted capital availability, rise in the Canadian dollar, increased international fibre competition, high development and production costs, lack of infrastructure re-investment due to a chronically limited return on capital employed, looming timber supply shortages, flight of expertise with the decline of employment and decline in forestry education enrolment for the future.

This is now a well known concurrence of negative conditions which all are trying to survive, battered down, hoping for the anticipated turn in a recurring cycle but also mindful that it may be protracted or permanent. These conditions, while severe, may well be buffered by an emerging market for energy and chemicals derived from forest biomass, or a growing international demand for sustainably managed wood products, or an aggressive marketing effort in Asia, but no-one is expecting these recovery changes to be swift.

The growth of smaller tenure opportunities could step into parts of this breach, but only with a much expanded base of allocation, a strategy to derive energy at local scales, tenure conditions that recognize a much expanded range of forest products, and new mechanisms for assembling and marketing the smaller volumes of products emerging from them.

For large corporations the downturn is resulting in contraction of employment, tightening of all cost elements, consolidation of ownerships to reach internationally competitive scale and the search for alternatives to the overwhelming reliance on the American market, notably in China. For forest dependent communities, a side effect of successful survival of the larger corporations through these measures is retention of a smaller number of major forest companies, established in fewer communities and with smaller numbers of employees both internal and contracted.

Government response to the problems faced by large scale industry has been to remove impediments to the consolidation process through removal of the requirement to maintain mills in communities near where the timber is located, allowing intercompany transfers of assets, allowing removal of private lands from Tree Farm Licenses and their conversion to non-forest uses, allowing raw log exports, by reducing regulatory costs, by encouraging a market in energy products and by stepping in to ameliorate the impacts on employees and communities from the losses of employment and tax base. In addition to the measures designed to assist industries with immediate survival and competitiveness issues, government has also established an aggressive marketing campaign to encourage the use of wood in Asian housing and in both multi-story housing and commercial buildings in Canada. It has also promoted development of a biomass fuel and bio-refining industry to employ the current pine beetle waste and to provide additional forest product potential for the future.

At the same time, government has also greatly expanded the allocation of timber resources to First Nations and communities through forest and range opportunity agreements and community forest allocations. The overall allocations remain small in volume and economic impact, but hold potential for small and medium enterprise development with a recovering solid wood products market and innovation in smaller scale value-added products intended for domestic consumption.

For all scales of industry the potential markets for carbon management, biodiversity management and water management along with other non-timber or ecosystem based products and services of intact natural forests represent future opportunity. For these to be realized beyond the current round of theoretical studies of non-market values, we will need to create market mechanisms that provide tradable credits for some values and direct sales markets for others. Carbon and biodiversity trading have already begun. Water may not be far behind.

**Diversification of the uses of naturally intact forest may well be a critically important economic prospect for smaller tenures and the communities in which they are located.**

## 2. The Growing Consequences of Climate Change

Climate change also holds the potential for reversing the trend toward globalization of commerce. Big industry, participating in a global marketplace has been possible for many products because the costs of industrial scale and large shipping distance have been enormously subsidized by inexpensive fossil fuels. The era of such cheap energy, however, is rapidly departing. It is not necessary to have this happen through extreme resource depletion, although that is the ultimate prospect, it is enough that it will happen because of competing energy demands from emerging economies and the fact that we cannot continue to put greenhouse gases into the atmosphere or chemicals in the ocean without extremely negative effects on the earth's climate and the earth's biota.

Climate change in British Columbia, through the release of a growing list of pests and pathogens from effective winter temperature controls, will continue to reduce the traditional timber supplies, as it has done spectacularly with the mountain pine beetle. It will also affect forest growth through the changes in snow and rainfall patterns and their associated growing conditions throughout the province that are projected within the next fifty years. For large forest industries this will likely mean further consolidation and the likelihood that energy and biochemical production will supplement fibre production as a forest product. **For small forest industries derived from First Nation and community scale tenures this will mean that a much more diverse base of forest values will have to be drawn upon to make a commercial success.**

Outside of forestry the potential for agricultural limitations in our major international supply regions, such as Mexico and California, arising from climate change induced drought, is going to make us more dependent on our own agricultural capability. Land in the agricultural land reserve will

escalate in importance, supply lines will shorten, market garden and local consumption farming will rebuild and the low elevation land of the province will have to be managed for food self sufficiency as well as for our historical fibre based forestry, extensive habitation and non-food or fibre producing industrial, water storage or transportation uses.

### 3. **Managing Our Human Footprint**

It is now widely acknowledged that our current 6 or projected 9 billion people cannot possibly continue to consume the earth's resources at ever increasing rates without degrading the earth's productivity. This is particularly true of North America, Europe and the swiftly growing Asian nations where the scale of development has already resulted in major effects on the global climate.

We have an overall footprint problem that will eventually be reversed, either by the brutal intervention of nature or by a drastic voluntary change in our human societies. Neither will be easy or pleasant, but the latter should be within our capability and much preferred.

While British Columbia holds one of the more favored geographic positions on the earth for the consequences of climate change, we are not immune to those consequences within the province and certainly not from those arising from elsewhere. This could mean losses of remote food supply, demands for export of our fresh water, the need to harbor ecological refugees or having our resources purchased and depleted by stronger nations and their corporations.

Our current system of resource management is much too fragmented to respond to such significant challenges. Our governance model is stuck in a pioneer era where public management of resources was all about allocating an apparent cornucopia among competing interests and deriving tax revenue from the ensuing sectoral developments. Our energy, forestry, agriculture, tourism and mineral industries continue to fragment the landscape without

sufficient assessment or control of the cumulative impacts on the ultimate productivity of the supporting ecosystems. The decline of wild fisheries, the growing list of endangered plant and animal species and rising conflicts among overlapping tenures on the same land base are symptoms of this fixation on a “past-its-due date” model of resource management. **We will have to evolve a resource management system that is based on ecosystems in place, with managers attached to the land rather than the silos of commercial interest. Managers attached to the land are managers also attached to rural communities. A recent effort to collaborate more intensely among resource ministries, pioneered in the Kalum Forest District, is a creative beginning in the right direction, but there is a long way to go to before we treat the ecological capacity of our land as the arbiter of human activity.**

We will have to be very careful in the closing days of our fossil fuel civilization that we have conserved ecosystem capacity on our provincial landscape for the future when local self sufficiency is demanded of us by circumstances. We cannot afford the classic error of treating our rural environment only as a depopulated supply region to a few concentrated cities.

We must also guard against the ugly historic response of “clearances” which removed rural populations from the land to allow exploitation of the last vestiges of a natural resource legacy and concentration of ownership in fewer hands. Historic European clearances found the North American continent as a safety valve that could absorb the people displaced, with that in turn only made possible by the clearances of aboriginal populations.

But the only frontier left to us now is crowded cities that are themselves struggling with the energy and environmental cost of their cumulative footprints. There is no “away”, there is only “here”.

**What this means is that there will be a premium on toughening the fibre of our rural communities throughout the province. We need to create more conservative land use by communities, more self sufficiency in food supply, more careful husbanding of water supplies, more tending of**

our internal inter-community marketplace, more careful assessment of our ecological assets, more market collaboration among smaller enterprises and more regional collaboration among communities to address things as diverse as wildfire safety, efficient transport, amenity sharing, import replacement, educational development, marketing of visitor experiences, and the renewal of low elevation agricultural land. We need to seek a new balance that creates more jobs that perform local stewardship functions and fewer that extract and remove the land's wealth without investing in its future.

Forestry, above most other land uses, can provide the ecological and economic base that will enable rural communities to rise to these multiple challenges. With ingenuity, we can multiply the marketable values that can be derived from a forested land base.

I can see a future in which rural communities are stewards of a defined forest land area granted to them in perpetuity. In it they are successfully managing to sustain the productivity and diversity of the incorporated ecosystems. They make tax revenue and create a broad range of jobs from a balanced portfolio of certified, and where appropriate organic, agro-forestry products, water management, airshed management, bio-fuels, local scale electricity generation, carbon sequestration credits, biodiversity credits, bio-medical resources, silviculture and ecosystem restoration contracting, wilderness and cultural tourism. This is a vision of a vibrant rural community and job rich future.

For the larger forestry firms, which will still be operating at a global scale, the future involves some of the same products, but the land base from which they will be derived will be smaller, more intensively managed and likely area-based on tree farms where accelerated growth of trees may be separated from the management of conversion mills. The fibre, chemical, electrical energy and fuel operations that diversify the larger firms will likely be concentrated in ownership, highly technologically efficient and extremely

cost conscious. They will have to work, however, within a landscape that contains the First Nation and community land holdings and product operations that are specifically designed to sustain rural communities at a more intimate scale.

In effect, this means re-localizing our world. It means putting the integrity of place and continuity of resident people at the centre of our agenda rather than the continuity of a particular resource sector in its traditional form. It means putting rural communities, not on subsidized life support, but on the track to a robust self sufficiency so that we have a resilient local and regional economy as our home base even as we participate in the larger global marketplace for our export earnings. It means keeping people on the land and in communities deeply attached to that land. For British Columbia, how we do this is one of the most significant societal design challenges of this century!