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Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

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• (1535)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):
Good afternoon, everyone.

We're here today, as you all know, to continue our study on the renewal of Canada's forest industry. This study was initiated as a follow-up to a study and a report presented by this committee in June of 2008. We've had several meetings on the issue already.

Today we have all witnesses by teleconference, by the way. It's going to be really important for you to identify yourselves, and you might like to identify the party you're from as well, because they'll have no way of knowing that. If you'd like to do that, do that. It's also going to be very important for the witnesses who are with us by telephone to identify themselves, the group they're from, and their names before they speak so that we can get that on record properly.

We have with us today by teleconference from Yellowknife, from the Government of the Northwest Territories, Evan Walz, assistant deputy minister, environment and natural resources; Frank Lepine, director, forest management division; and William Mawdsley, associate director, forest management division. We have from Whitehorse, Yukon, by teleconference, again from the Government of Yukon, George Ross, deputy minister of energy, mines and resources; and Lyle Dinn, director, forest management branch. We have also with us today, from the Dakwakada Development Corporation, Brian MacDonald, chair.

Those are the witnesses. We will have presentations in the order that you're on the agenda, so we'll start the presentations with the Government of the Northwest Territories.

Mr. Walz, I understand that you probably are going to give the presentation, but if not, you can go ahead and divide it for up to seven minutes, divided any way you see fit.

Mr. Evan Walz (Acting Assistant Deputy Minister, Environment and Natural Resources, Government of the Northwest Territories): Thank you, Mr. Chairman.

Good afternoon. My name is Evan Walz. I'm the acting assistant deputy minister for the Department of Environment and Natural Resources with the Government of the NWT. As you noted, I'm joined today by Mr. Frank Lepine, the director of forest management; and Mr. Bill Mawdsley, the associate director.

I'd like to thank the committee for the opportunity to present on activities in the NWT that we feel will help to renew and grow our forest industry.

Mr. Chairman, the Northwest Territories is on the cusp of developing an exciting new biomass industry. Currently, about 30,000 cubic metres of wood is harvested annually, mainly for firewood in the Northwest Territories. There are no significant timber processing facilities, and dimensional lumber production is entirely uneconomical.

Recently an opportunity to produce pellet fuel as a cheaper alternative to imported heating oil has emerged. The government is growing the market for pellets through conversion of public buildings to pellet fuel, and private businesses appear to be following suit. Locally produced pellets will cycle, we believe, millions of dollars into the NWT economy, which would otherwise be exported outside. The new industry will create a range of businesses and job opportunities for communities that typically have low rates of employment.

Developing an industry on the order of magnitude envisioned presented many challenges for us. The primary hurdle was the legislative framework, which restricted timber access to five-year authorizations and therefore discouraged long-term investment. In addition, existing forest businesses were small, and are small, and not able to support any large-scale activity. Finally, government policies and support mechanisms were geared towards that small or nominal forest activity. We needed to look at and improve all aspects of our business in order to ensure this industry could grow.

In 2010 a wood marshalling yard model was proposed that provided a method for communities to establish wood marketing through a community business. The premise was if that community could organize a unified aboriginal business and attract a long-term customer for timber in their area, then the GNWT could be petitioned for a forest management agreement to secure long-term tenure.

A local investor developed plans to establish a pellet mill, and several communities subsequently approached the GNWT, seeking forest management agreements. Our government studied the mill project in detail and saw that the forest management agreement requests had merit. The mill project was privately financed and northern-owned, and their business plan appeared sound.

Now, a lot of investment is required to prepare for scaling up the forest industry. Several small community projects had been done with the federal government's support in the past. Building on this, a much larger and more comprehensive regional proposal was presented to the Canadian Northern Economic Development Agency, or CanNor, as well as to Natural Resources Canada, back in 2011. Approximately \$6 million has been provided by the federal government over the last three years towards this industry, and that investment has been strategically targeted to build the foundation for an industry start-up in the NWT.

To date, the government has established two forest management agreements with aboriginal business entities. These represent a new system of timber allocation and tenure in the north that enables investment in infrastructure, equipment, and people. The forest management agreements provide 25-year tenure for forest resources, and provide the ability to support an industrial-scale wood buyer.

The entire GNWT has rallied around the initiative, and there has been broad support from within the government. Focused investments have been made to improve technical forest information, to develop management processes, and to build the pellet market. Other projects provide training and employment opportunities, and support aboriginal business initiatives in forest development. In this, the fourth year of federal support, the initiative has shifted into the implementation phase for the FMAs.

● (1540)

With timber harvesting planned for as early as the winter of 2015, support has been focused on business development, land use application preparation, and harvest preparation. While we have come a long way, continued investment will be required if we intend to take full advantage of this opportunity.

Over the next five years, the forest management agreement holders will need continued support in the area of business development. All aspects of FMA business management and timber sales need to be developed, tested, and mastered. Capacity is also an issue. The NWT workforce is largely unprepared for full participation in technical forestry jobs. While steps have been taken to better define the scope of work required in this area, clearly training investments will be required.

Sustainability is also an issue. Maintaining the health and sustainability of NWT forests is a priority for everyone. Forest inventories at present are patchy and mostly outdated. Major investment will be required to ensure accurate information is available, to ensure sustainability, and to track forest renewal.

In closing, the GNWT sees both short-term and long-term potential in developing forest biomass initiatives, particularly in small aboriginal communities. They create capacity in small aboriginal communities with otherwise limited opportunity. They tap into a growing and sustainable marketplace, and they help to

reduce our carbon footprint for both communities and governments. Finally, they establish a base for future business opportunities.

As outlined earlier, continued investments will be required from a number of perspectives, including business development, workforce development, and long-term sustainability, to name a few. The GNWT is confident, however, that with ongoing federal and territorial support, this initiative will help move our communities toward a sustainable future built around the forest industry.

Thank you, Mr. Chairman and committee members. At the appropriate time we would be happy to address any questions you may have.

The Chair: Thank you very much, Mr. Walz, for your presentation, and for coming on such short notice. The scheduling around here sometimes requires some short notice, and I do appreciate your response to that.

Thank you also to Mr. Lepine and Mr. Mawdsley who are with you today.

The next presentation is from the Government of Yukon, from Whitehorse. We have George Ross, deputy minister of energy, mines, and resources, and with him, Lyle Dinn, director of the forest management branch.

Go ahead, please, with your presentations.

Mr. George Ross (Deputy Minister, Energy, Mines and Resources, Government of Yukon): Good afternoon, Mr. Chair and committee members. Thank you for the opportunity to speak to the Standing Committee on Natural Resources today.

My name is George Ross. I'm deputy minister of energy, mines, and resources for the Yukon territorial government. The mandate of my department, Energy, Mines, and Resources, includes the sustainable development of Yukon's renewable resources, so we are keen to discuss the current state of forestry in the Yukon and the future potential for this sector as part of Canada's forest industry.

I think it's fair to say the forest industry in the Yukon is in its early stages of development. Our Forest Resources Act has only been in place since 2011. There are a few small-scale mills and harvesting for home heating, but we feel forestry has a much greater potential to provide employment, sources of energy, and other value-added products for the benefit of all Yukoners.

Only yesterday the Government of Yukon announced a draft bioenergy strategy to the public. This strategy could lead to greater use of Yukon's substantial forest resources to generate heat from wood chips and pellets. This will be a companion piece to a series of incentive programs that the Yukon government implements to encourage institutional and residential biomass heating systems.

In terms of sustainability, it's worth noting that Yukon's current timber harvest levels are well below what they could be. There is certainly potential for growth in Yukon's forest industry.

To give you a more detailed look at the state of the Yukon's forests and forest industry, I'd like to introduce the director of Yukon's forest management branch, Lyle Dinn, to take the presentation from here.

• (1545)

Mr. Lyle Dinn (Director, Forest Management Branch, Government of Yukon): Thank you, George.

Good afternoon. I'm going to speak to you about forestry in the Yukon Territory. Forestry is a small but important growing sector in our regional economy.

Yukon is a northern jurisdiction with a large forest area and a small population. The territory is a unique first nations governance landscape. There are more first nations with land claim and self-government agreements than all other Canadian jurisdictions combined. In the Yukon, 28 million hectares are forested and 5.4 million hectares have commercial potential. White spruce and lodgepole pine are the main commercial species.

The following is some information on forest health in the Yukon because I know it's of interest to the committee.

There is currently no mountain pine beetle in the Yukon. Mountain pine beetle has been identified as being 30 kilometres south of the Yukon-B.C. border. No major outbreak is imminent. Yukon's spruce bark beetle infestation peaked in 2004, with 380,000 hectares. The outbreak was significant, and the salvage harvest is ongoing. However, climate change is anticipated to result in more frequent pest and disease outbreaks and fires. More frequent fires can impact a generation of boreal forest.

The responsibility to manage and regulate forest resources devolved from Canada to the Government of Yukon in 2003. Following devolution in 2003, the Forest Resources Act was assented to in 2008 and enacted in 2011. It is the first Yukon-grown, post-devolution piece of natural resource legislation. The Forest Resources Act is based on the three pillars of planning, tenure, and compliance and enforcement.

The Yukon has completed three regional forest management plans that cover over 2.4 million hectares of forest. The forest resources management plans are unique. The plans are jointly developed by the Yukon government and first nations, which cover both public land and first nations settlement land. The plans are approved by both parties, by their respective minister and chief.

Yukon has a total maximum annual harvest of 189,000 cubic metres. In addition, there is a salvage uplift of one million cubic metres over a 10-year period. The annual harvest volume is 50,000 cubic metres, 80% being harvested for fuelwood.

Two operating mills in the territory focus on rough dimensional lumber for domestic use in the mining industry, and manufacture under 5,000 cubic metres a year. There is no pulp industry and limited other value-added industries. Employment in the industry is estimated at 150 workers, and there are 80 commercial licences issued in the territory.

Yukoners spend \$50 million yearly importing fossil fuels to generate heat. The advantages of using local biomass to generate heat are clear. Locally sourced biomass contributes to the local economy and employment, assigns value to an otherwise wasted product, increases the viability of local businesses, avoids shipping fossil fuels large distances, and reduces greenhouse gas emissions.

While most of the rest of Canada's wood products market is export oriented, Yukon wood products are almost exclusively sold locally. The value of wood from wood products into the territory is high, although the latest figures from the period of 2011 to 2013 show there was a construction value of over \$300 million in the territory. Yukon is exempt from the Canada-U.S. lumber agreement due to a very low export volume.

Access to markets is a constraining factor for the Yukon wood products industry. High transportation costs are the main barrier. Fuel costs are high, and the nearest access to rail is Fort Nelson, B. C., which is 950 kilometres away.

While there is increasing pressure on wood supply in B.C. and demand for wood products is showing a steady sign of growth, Yukon's forest resources could potentially play a greater role in the broader market. The port of Skagway, Alaska, is not far from Whitehorse—150 kilometres away—and a project to expand and upgrade the port to allow better access to commercial freighters has begun.

Forest management planning in the Yukon requires collaboration and participation with first nations, industry, and stakeholders. This planning regime is vital to enabling a secure forest land base for forest industry development. Examples of collaboration are the first nations implementation agreements.

Yukon has a unique aboriginal relations landscape. As a result of treaty negotiations, 11 out of 14 first nations are self-governing. This landscape is reflected in forest resource management plans in traditional territories. In areas with completed forest resources management plans, the Government of Yukon has signed forestry agreements with first nations. These agreements and forest resources management plans are key to establishing certainty in the forest land base.

The Yukon government is working with industry members to increase their involvement in forest policy development. The Yukon government works collaboratively with the Yukon Wood Products Association to address forest sector challenges in the territory.

• (1550)

There is growth potential for the Yukon forest sector, both for the local wood products industry and beyond. I already emphasized the need to explore biomass opportunities and export potential. Several first nations have an interest in expanding forest sector opportunities. Working with local industry to improve existing mills and with first nations development corporations will build capacity and businesses.

In northern settings, forestry professionals are often unavailable and cost is prohibitive. Current industry relies on government staff to complete forest development opportunities. This is not a viable, long-term solution.

A pioneering stage forest industry is sensitive to stumpage fees. The forest industry is currently small with generally low profit margins and harvest volumes. With the potential for industry growth, ensuring an appropriate fee structure is in place is key.

Yukon has a small population with high social values when it comes to forests. Larger scale forestry operations present a number of challenges.

It must be said that non-settled first nations, meaning those that do not have a treaty or self-governance agreements, have an impact on potential expansion of the forestry sector. The instability caused by this situation impacts natural resource opportunities. I should point out that southeast Yukon has substantial forest volume relative to the rest of Yukon. The area falls within Kaska traditional territory, and those first nations are some of the few that do not have self-governance agreements. The Yukon government continues to engage with the Kaska nation to find mutual ground to advance opportunities that benefit all.

The Yukon government continues to implement the Forest Resources Act. The current planning and regulatory regime began with the Forest Resources Act, and the government continues to implement the act, with much work remaining.

There is potential for FPInnovations to provide technical support and advice to build first nations and local industry contribution to the wood products sector. Providing the right advice, training, and expertise to first nations and other industry players can help them realize more potential in the wood products market. Investment or incentives to industry for road building and forest management expertise would also enable the industry's greater opportunity for autonomy and growth.

The move toward efficient biomass heating systems is proving to have broad benefits in the north. These include energy savings and local employment opportunities. The Northwest Territories have moved forward with the support of federal agencies in expanding wood pellet demand, and more recently, toward pellet production. Efforts that support developing biomass opportunities in Yukon will serve to build a stronger regional economy in the north.

Value-added local wood products are an area that Yukon could become more competitive in. Identification of new wood products and market development would increase investment in the industry.

I would like to take this opportunity to highlight that Yukon is pleased to have the opportunity to host the Canadian Council of Forest Ministers in July 2016. We look forward to our hosting responsibilities and the national-level discussions on forests that will take place.

Thank you very much.

Mr. George Ross: Mr. Chair, that concludes the remarks from the Yukon territory.

The Chair: Thank you very much, Mr. Ross and Mr. Dinn. I appreciate your coming on such short notice as well.

The third witness today is from the Dakwakada Development Corporation, Brian MacDonald, chair.

Go ahead with your presentation, please, Mr. MacDonald, for up to seven minutes.

Mr. Brian MacDonald (Chair, Dakwakada Development Corporation): Thank you, Mr. Chair.

That was a great pronunciation of our name. Sometimes it can tongue-tie people.

I would like to thank the committee for inviting Dakwakada to present before you on the issue of the renewal of Canada's forest industry.

By way of a quick background and to give context to my submission, I will give a quick overview of DDC and some of our experiences over the past 15 years within the context of the forest industry.

DDC is the business arm of an investment trust established by the Champagne and Aishihik First Nations. Our mandate is to seek business opportunities to invest in for the purposes of generating financial returns to the investment trust and ultimately to the first nations. The investment capital is compensation funds that were the result of the settlement of a comprehensive land claim. We currently have ownership in four operating companies as well as our four commercial properties. Our companies employ upwards of 200 people and do approximately \$60 million in revenue annually.

DDC has had experience in a number of investment opportunities in the forestry sector over the past 15 years, as I've said. This is largely the result of a significant spruce beetle infestation that created a sense of urgency to utilize forest resources in the traditional territory of the Champagne and Aishihik First Nations that had been affected by the infestation.

In approximately 1999, Dakwakada Development Corporation invested in the development of a small sawmill enterprise in our local community. The intention was to create a sawmill that would produce lumber to supply the local and regional market. Unfortunately, due to numerous factors, which included trade issues at the time with the United States, federal policy related to the management of and access to timber harvesting permits, and market conditions, this venture was ultimately unsuccessful.

This was prior to the devolution transfer agreement that was negotiated between the federal government, the Yukon government, and Yukon first nations that saw the management of forest resources devolved to the territorial government. As it has been determined since then, the forest management practices at that time did play a critical role in limiting the development of the forest industry in the Yukon. For our part we are optimistic that local management of the resources now will provide a more successful outcome.

In 2009, Dakwakada engaged in a feasibility study to assess the opportunity to establish a new pellet industry in the Yukon. We determined at that time that a small regional pellet industry was feasible to service the local market. To achieve this required numerous policy changes at the territorial level that would assist in advancing the promotion of pellets as a viable fuel source for the territory. To date, unfortunately, those policy changes that we identified have not come to fruition. In our opinion, until this is done, the development of this opportunity would be very difficult to advance.

In 2010, Dakwakada Development Corporation, in partnership with the Village of Haines Junction and the Champagne and Aishihik First Nations, undertook the feasibility assessment of developing a power generation and district heating system for their community. A critical part of the feasibility study was the financial support we received from CanNor. The feasibility study determined that a scalable approach could work. However, from Dakwakada's perspective, the socio-economic opportunity outweighed the financial investment opportunity, and as a result was too far outside our investment mandate for DDC to participate in. A critical part of that discussion was reconciling the investment values in a public-private partnership.

Going forward, for DDC to participate in resource development, including the forest industry in the Yukon, it is our position that there must be a resolution to the question of land use planning. In all three of our experiences it became apparent that there was not a consensus on how forest resources should be utilized. While there is now a forest management plan for the Champagne and Aishihik First Nations' traditional territory, the land use plan still required under the terms of the Champagne and Aishihik First Nations land claim agreement has not been completed. As a result, the ambiguity and lack of certainty around the utilization of resources in the traditional territory is a significant inhibitor to investment in that region by our company.

Our experience in the Yukon economy has resulted in our realization that traditional forest industries are less viable than opportunities that focus on innovation and value-added approaches that recognize our small-market reality.

● (1555)

Further, it has been our experience that in a small market, attempts to advance a broad spectrum of opportunities will not result in an economically feasible business model. Small markets require focused efforts that have significant public sector support. This means reducing the plethora of opportunities and studies, and focusing on real opportunities or more probable opportunities. It also requires policy support from all layers of government, as they are generally key partners in small-market economies.

In closing, from my perspective the forest industry as an exploitable resource and as an economic driver of aboriginal communities has an advantage over other resource sectors in that aboriginal communities are often able to more easily reconcile the cultural and economic values with the exploitation of a renewable resource. As such, as the investment arm of an aboriginal community we will continue to support and consider opportunities related to the forest industry within our traditional territory, provided those opportunities provide meaningful economic value back to our shareholders.

Thank you.

● (1600)

The Chair: Thank you very much, Mr. MacDonald, for your presentation.

Just before we go to questions and comments, I have a couple of items for the committee members. First of all, we're here by teleconference, but you do have photos of the witnesses in front of you. It helps. You can see who you're talking to.

Secondly, there will be a bit of a conflict on Thursday afternoon in that the pipeline safety bill will be before the House. We have bells at 5:15, so at five o'clock I'd like to have a very short in camera meeting just to discuss that and see if the committee wants to do anything to deal with that.

I'll leave that until then and get right to questions and comments now. We'll start with the government side, with Ms. Perkins, for up to seven minutes.

To the witnesses, the person you'll be listening to for the next seven minutes is Ms. Perkins. When there's a change of people to make comments or to ask you questions, I'll let you know. I'll let you know how long they'll be asking the questions for, but I think you'll figure that out. Of course, the questioner will direct the question to one of you, two of you, or to all three groups.

Go ahead, please, Ms. Perkins.

Mrs. Pat Perkins (Whitby—Oshawa, CPC): Thank you, Mr. Chairman.

Thank you for the presentations from all of you.

I would like to explore two things to start with. One of them is the distances. I believe it was Mr. Lyle Dinn who spoke last for the Government of Yukon. I was trying to keep up with you. You were disseminating a tremendous amount of information, and I know that your time constraint was such that you had to do it quickly. I just didn't quite pick up on the distances. You were speaking, I believe, about being 950 kilometres away from the rail, and I didn't pick up on the shipping lanes.

Can you give us some information on that?

Mr. Lyle Dinn: Yes. The nearest port is Skagway, Alaska, which is about 150 kilometres south of Whitehorse. There's also a port in Haines, Alaska. Neither of these ports have the infrastructure to deal with the export of wood products from Yukon, and the Haines port is 400 kilometres from Whitehorse.

The nearest railhead, which is what I think you were mentioning, is in Fort Nelson, B.C., which is 950 kilometres from Whitehorse. That's a railhead.

Mrs. Pat Perkins: I would imagine that this is a quite significant challenge then, with respect to your transportation issue.

Mr. Lyle Dinn: Yes, it's a heavy burden for any exporter of wood products who is going to compete in a commodity market. It's very hard on the industry.

Mrs. Pat Perkins: Thank you for that.

The committee has always been interested in strategic innovation, particularly the efforts to improve existing forest products and to develop high-value products for future markets. There has been some discussion here today about the pellets—biomass heating and that sort of thing.

What role can the federal government play in order to further strengthen the foundation of innovation in northern Canada's forest industry in the longer term?

I'd like all three of you to answer that.

The Chair: We'll start, then, with Mr. Walz from the Northwest Territories.

Mr. Evan Walz: Thank you, Mr. Chairman.

Thank you for the question.

As we outlined in our presentation, we have had some good success working with the federal government. There's been a significant amount of money invested but we see that continued investment is really needed. In the presentation, I highlighted three key areas that we think need to be looked at over the next while.

One is continued support in the area of business development. The second would be continued federal support in the area of capacity building, ensuring that northerners are adequately trained to take advantage of the opportunities that this industry might present. Finally, around the issue of sustainability, the third area is support to help us ensure that the forest inventories that we have are accurate, that decision-makers are provided with accurate information to ensure sustainability targets are met. I think those are three areas that we would like to see additional involvement with the federal government and support from the federal government.

● (1605)

The Chair: Thank you, Mr. Walz.

Now to someone from the Government of Yukon.

Mr. Lyle Dinn: The Yukon has a contribution agreement with FPInnovations. In part of that, they support us with technical advice related to market development and all things to do with developing a biomass industry. One of the main components that we are most recently discussing with them is their aboriginal forestry technical support program, which we want to roll out in a wider format to include non-first nation businesses. They help these businesses in their market development and their technical support to build businesses that have greater value to the territory.

Really, our advice would be on the market development, and incorporating and strengthening FPInnovations' involvement with resource experts to come to the territory and provide that value, that technical support in market development.

The Chair: Thank you.

Finally, Mr. MacDonald, have you any answer to that question? Go ahead, please.

Mr. Brian MacDonald: I think that from our perspective, our experience with the biomass feasibility, it was working closely with CanNor, as I mentioned. It was just making sure that there was sufficient financial support to do the necessary feasibility work up front. The reality here is that because it is a new market we don't have a lot of examples to go on. You do need to bring in a lot of outside expertise, which is an upfront cost, and a lot of the private sector is not really prepared to invest necessarily in a small market. So I'd like to see that type of support continue.

The Chair: Okay, thank you very much.

Mrs. Pat Perkins: Thank you very much.

Okay, on the Canada job grant, Dakwakada Development Corporation received funding from the Canada job grant to train 40 employees. Have we got that right?

Mr. Brian MacDonald: Yes.

Mrs. Pat Perkins: Can you give us some specifics in terms of how that funding will be used for the employees? Is it with one of these important points that you've just brought up with respect to the feasibility and retraining of people to do these sorts of things, or what is it we're doing?

Mr. Brian MacDonald: We had already utilized that funding. Basically, it was focused on all of our senior managers having better project management skill sets, better financial management comprehension, better leadership training, better corporate governance. Basically it kept it at the higher levels within our companies to build those types of skills. I think that going forward the value I would see in that is just better project management of new initiatives for our companies. It wasn't necessarily specific to the forest industry as it is, as we're contemplating here today.

The Chair: Thank you, and thank you, Ms. Perkins. Your seven minutes are up.

We go now to the official opposition, to Mr. Bevington for up to seven minutes.

Go ahead, please, Mr. Bevington.

Mr. Dennis Bevington (Northwest Territories, NDP): Thanks, Mr. Chair, and welcome to all the witnesses. I'm pleased to have you here and to talk about the forest industry in the north.

I'd like to talk about biomass energy as well, but I think it needs to be linked with what's happening in our forest industry with the amount of forest fires we've had. Perhaps somebody could put it in perspective with our forests the conditions they are in and the hazards that they face with the forest fires.

• (1610)

The Chair: Would someone from the Northwest Territories government like to answer that, to start?

Mr. Evan Walz: We recently had, in the summer of 2014, one of the worst fire seasons that we've had on record. We had drought conditions that proceeded right into the fall and at last count we had less snowfall, particularly in the Yellowknife region, than we did in an average year. With that and with the chair's indulgence, I would like to ask Mr. Frank Lepine to elaborate on some of that.

The Chair: Go ahead, please, Mr. Lepine.

Mr. Frank Lepine (Director, Forest Management Division, Government of the Northwest Territories): Good afternoon.

In reference to the areas that are considered for harvesting for the future, there is a requirement to do some enhanced protection of those areas, which will increase the pressure on our existing forest fire management system. It's something that we have to contemplate and deal with. In addition to that, any of the forests that have been burned over in the past years, up to a certain point in time, can be used as biomass, but there's a period where they're no longer useful.

The Chair: Thank you both.

Now to the Government of Yukon, with the same question.

Mr. Lyle Dinn: I wanted to identify that in the Yukon we have more extreme fire behaviour years but also years of low fire behaviour. It's almost getting more episodic in terms of what we're seeing, but the overall trend of forest fire behaviour in the Yukon is increasing.

What that has done is put an imminent threat on some of our communities, especially Whitehorse. The past practices of fuel management and fire management.... We have a tremendous amount of fuel loading around communities where strategies to do that could

create a source of biomass. These are around the fuel reduction and landscape level fuel treatments in and around communities. These are very expensive upfront costs, but they have huge benefits for the north as a fuel source as well as protecting our communities.

Mr. Dennis Bevington: Thank you. That's what I wanted to get on record here, that there is some very strong relationship between biomass harvesting and forest fire management. That relationship is one that also is important for employment and reducing the cost of fire protection.

Now, to the biomass industry itself, the Northwest Territories had great success in buying wood pellets from down south. It's estimated we're taking 10% of the pellet market in Canada right now. How big is the market in the Northwest Territories? Would you suggest that the market would extend anywhere in northern Canada where we're away from the natural gas provision lines and operating on fuel oil to the greatest extent?

Does anybody want to comment on that?

The Chair: We'll maybe start with Mr. MacDonald.

Mr. Brian MacDonald: We looked at the feasibility of pellets and looked at the markets. What provided value for us, or interest for us, was that we are geographically isolated from the larger centres that we would be competing against. That was the largest factor we found that made it a viable option. That was back in about 2009 and oil was at a different price back then. How would that change now? I think we'd have to relook at the numbers, but it was definitely our geographical isolation that made it a value proposition we were prepared to invest in.

• (1615)

The Chair: Anybody from the Government of Yukon...?

Mr. Lyle Dinn: I think the current demand in the Yukon for pellets—and I'm not in charge of this so it's an estimated figure—is roughly around 2,000 to 3,000 tonnes for domestic and commercial use. But that market has tremendous opportunity for growth.

During my presentation I mentioned that the Yukon imports around a total of \$50 million in equivalent heating products for the north, so there's tremendous opportunity to capture some of that export wealth that's used in fossil fuels, and generate more wealth for Yukoners.

The Chair: Thank you.

From the Government of the Northwest Territories....

Mr. Evan Walz: I can tell you that we in the government of the NWT certainly see the use of biomass fuels eventually throughout the Northwest Territories. We see the possibility to use this fuel source wherever we can. Right now the emphasis has been placed on the southern part of the territories.

I can also tell you that we have stats from 2012 suggesting that as a government we've displaced 2.4 million litres of heating oil as a result of using biomass fuel. Another stat I have at my fingertips that might be useful is that currently the GNWT, as I explained, are trying to move toward public buildings being heated by biomass. Our most current statistics suggest that a full 16% of the heating consumption of the GNWT now comes through biomass.

Finally, if the project that we spoke of earlier during our presentation gets off the ground, there is even a possibility that we may be exporting some pellets to other jurisdictions.

The Chair: Thank you, and thank you, Mr. Bevington. Your time is up.

We go now to Mr. Regan for up to seven minutes. Mr. Regan is the Liberal member of Parliament on our committee.

Go ahead, please, Mr. Regan.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chair.

I think this is the first time we've had a meeting solely by teleconference. I must say I like it, because I've often been told I have a face for radio—

Some hon. members: Oh, oh!

Hon. Geoff Regan: —so I think this is well suited.

Mr. Norlock was also saying a moment ago that we should be offering to ship some of the snow we've had this year in Nova Scotia up north to help out with the dry conditions. I never thought I would hear that, but we've had so much this year that it almost seems practical to do that.

Let me start with Mr. MacDonald. You talked about the effort to start up a small sawmill. You feel that things have changed in terms of forest management practices and perhaps other things. What has changed? How is it different now? What do you see as the prospects in the future, whether it be for a sawmill or something else?

Mr. Brian MacDonald: When we started this sawmill up it was actually prior to my involvement with the corporation. I was involved in the community and other aspects, so I'm quite familiar with this. At that time the softwood lumber disputes were happening between Canada and the U.S., which created a lot of ambiguity for the industry, and understanding what that industry.... There was a lot of volatility in the market at that time, so that was one of the factors. We weren't really fully engaged and probably didn't have sufficient capacity or support within the government, I think, to better understand that as a small northern company. A large part of that was because everything was being run out of Ottawa, so there wasn't a lot of local capacity to engage at that time to help us advance the model. There were some finances provided to the company on some of it, but at the end of the day I think the key was a better understanding of the market from that end.

The other thing that was a challenge for us and was unique to the Yukon, from what I understood, or unique to the north, from our experience, was the very limited timber harvesting agreements or permits that we were able to get. We would get very late in the year, with last-minute notice, authorization to harvest, say, 15,000 cubic

metres within a three-week to four-week period. This required a very high level of mobilization in a very short period of time, which escalated the cost of doing that, to get it all done and out of the woodlot in a very short period of time.

Again, this was largely due to engagement through Ottawa. I think having direct access locally and having people who are actually able to be more adaptable with their policy would allow us to create timber harvesting that would probably be a little bit more effective with the realities up here, and hopefully, have direct access to allow us to be able to express our concerns a little more directly to the government.

• (1620)

Hon. Geoff Regan: Thank you.

Let me turn to Mr. Walz. Speaking of capacity, tell me what is happening, if you would, in relation to training. Also, you mentioned that timber harvesting was planned for the winter of 2015. Of course, we are past that in most parts of the country, maybe not in mine or yours. I hope we are over it in Nova Scotia by now. Did it in fact happen? I wasn't sure what you meant when you said it was planned for the winter, since that winter is now gone by.

Mr. Evan Walz: I guess I should have clarified that it's for the winter of 2015-16, if we could make that clarification. Again, with the chair's indulgence, I will ask Mr. Lepine to speak to the issue of capacity.

Mr. Frank Lepine: Thank you, Mr. Regan. Sorry for not having clarified that, but just for information, some of the funding we have received through the CanNor process has gone into a partnership with our Department of Education, Culture and Employment. They have an aboriginal strategic education program in a lot of the smaller aboriginal communities. Through that process and through the Aurora College process, they are putting together a number of training programs that involve everything from local forestry work in the bush to eventually involving students in heavy equipment operation and that sort of thing, so the federal government has contributed to our education and training to date.

Hon. Geoff Regan: Let me ask you, Mr. Ross, about the bioenergy strategy you have in draft. How was it developed, and what hurdles have you faced along the way in that development, or what remain?

Mr. George Ross: Thank you.

I am going to let Lyle Dinn, our director of forest management, take that question.

Mr. Lyle Dinn: How was the biomass strategy developed? Let me try to emphasize the objective of the strategy. With that tremendous amount of importing of fossil fuel, the Yukon is looking very hard at the underutilized wood resource to capture and maintain some of that money that is leaving the territory. That's the impetus. That's the direction.

We see that as a tremendous opportunity to bridge the gap and get our industry from being hand-to-mouth, year to year, into an area where we see some tremendous growth so that we could have some long-term sustainability in our forest industry.

Hon. Geoff Regan: Mr. Dinn, what is the main source of heating in the Yukon? Also, could you tell us more about the details of the port upgrading that is under way in Skagway? Did you say it was 150 kilometres away from Whitehorse?

Mr. Lyle Dinn: Yes. The Skagway terminal is in the engineering phase. My understanding is they are looking heavily at several mines developing in the Yukon for the export of ore. They are not looking at a container type of development, but it has more to do with a bulk cargo ore terminal upgrades.

As for what our heating demand is and how it is fulfilled in the territory, 17% of our heating is through cord wood, through existing fuelwood permits, and the remaining is primarily oil and propane, I think around 70:30.

•(1625)

Mr. George Ross: If I could just add to this answer a little, Mr. Chair. The key question there had to do with impediments to developing a biomass strategy, I believe. I would observe for the committee that our overarching objective in the Yukon is to use biomass energy to reduce dependency on imported heating oil, etc., in the territory. Challenges are fairly obvious in implementing a strategy like that. It has a lot to do with the incentives provided for transition from one fuel source to another for residential heating and the companion changes to the forestry activities that can produce the furnish for pelletization and mobilization into heating. A fairly complex set of economic conditions and policy and program conditions have to be in place for that to be successful.

The goal for the Yukon is fairly clear, and that's to use forest resources for higher value-added purposes and to reduce our dependency on imported energy, but a lot of pieces have to be put in place to make that happen.

The Chair: Thank you very much.

Thank you, Mr. Regan.

We now go to the five-minute round. We'll start with Mr. Norlock from the government side.

Mr. Rick Norlock (Northumberland—Quinte West, CPC): Thank you, Mr. Chair, and thank you to the witnesses for appearing today.

I worked in northern Ontario back in the mid- and late eighties. The Shell Oil Company had two pellet plants that produced wood pellets in the area that I worked in, Iroquois Falls and Hearst, Ontario. I had a wood pellet furnace. It wasn't a furnace; it was a boiler. But I also had a European-style electric boiler. It ended up both were economical, except that the wood pellet required a little more energy to clean out every now and then, so I went with the easy way out, and like electricity, took the path of least resistance.

We're dealing with technology from the mid-eighties, some intellectual property. Have any of you considered going to a company like the Shell Oil Company and asking them for a feasibility study as to how to use your biomass to produce wood

pellets? I'm told they only use steam and the natural lignin within the wood. There are no adhesives, so it's very environmentally friendly. I wonder if either of the northern governments have done any exploration on that end, because that company is very familiar with that particular technology.

The Chair: I'll go to the Government of Yukon first.

Mr. Lyle Dinn: Not to my knowledge. We haven't reached out to a company like that, but we're in the early stages of biomass strategy. We'll be seeking a number of inputs into that strategy, and that'll include commentary on technology and intellectual property.

The Chair: Thank you.

From the Government of the Northwest Territories....?

Mr. Evan Walz: I'll ask Bill Mawdsley, the associate director of forest management, to address that.

Mr. William Mawdsley (Associate Director, Forest Management Division, Government of the Northwest Territories): Good afternoon. I'm Bill Mawdsley, associate director, Northwest Territories.

During our process of identifying the wood pellet industry as a viable opportunity in sustainable forest management, we did work through FPInnovations and other specialists in Canada on the necessary means for acquiring raw material, methods of making pellets, the quality of the material we have available for making pellets, and whether the pellet industry is economically feasible, given the market conditions that exist in the Northwest Territories.

Insofar as the technology is concerned for making a pellet and making heat out of it, the technology has advanced considerably in the last 20 years since wood pellets first came on the market. We're seeing very great success, especially with institutional systems. The individual is also commenting on the viability of it. In the Northwest Territories we are faced with very high fuel costs, which also translate into very high power costs, so the market and the market offset of the biomass pellets is very high.

•(1630)

Mr. Rick Norlock: Thank you, and just for your information, there were two reasons that those two communities and the Shell company ceased production.

The first was that all of a sudden natural gas became much cheaper. There was a decline in the cost of natural gas, so the efficiency or the economic reasons diminished. As well, there was a slowing down of the lumber industry; they got most of their biomass from bark and sawdust. But you're right, the technology.... I've done some research into it in the past, and you can chip your wood, etc.

Also, I don't know if you explored this, and I suspect it is a bit far-reaching for you, but in northern Ontario they're considering using biomass to produce ethanol, and of course, ethanol goes a long way to stretch your petroleum dollar. So I wonder if you've looked at various enterprises.

The other one is just to use either sawdust or wood chips to fire into a boiler at high speed and high temperature, and do something like they do in some of the Scandinavian countries. I know in Hearst, Ontario, most of the schools as well as municipal buildings were all built very close together, so you could have one power plant produce heat for a number of buildings. Have you looked into that? In most northern communities the buildings have been built close together.

Have you looked at that as energy efficient, not necessarily using biomass to make pellets but using different forms of biomass to produce heat? I'm told it can be self-sustaining also. You produce steam, which can be used to generate electricity.

The Chair: Thank you, Mr. Norlock.

We'll have very short answers, maybe first from the Government of the Northwest Territories.

Mr. Evan Walz: As Mr. Mawdsley mentioned, the work that FPInnovations did considered all those options, and at the end of it we landed on using biomass for pellets. As far as ethanol goes, we simply don't have the volumes here in the Northwest Territories to make that work.

The Chair: From the Yukon....

Mr. Lyle Dinn: I just want to echo the comment from the Northwest Territories around the economies of scale. Some of those comments are really the Yukon flavour at this point in time. We do have one infrastructure heating project in Dawson City, which has a central heating system, and it benefits the community by heating multiple buildings in that location. That is the modern-day chip boiler.

The Chair: Thank you.

Thank you, Mr. Norlock.

We'll go now to Ms. Crockatt, from the government side, for up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): I too am going to start with the two government leaders, but Brian, I don't want to leave you out, so I'll come back to you before long.

Some of this ground we've sort of covered, but I wanted to get a really clear picture here. What we're hearing at this committee is that there has been a very dramatic turnaround in the forest industry from where it was the last time we took a look at it. Some were calling it a sunset industry. It was facing some fairly significant challenges, not the least of them being the spruce budworm and the pine beetle, and now things look considerably different.

I'll start with Evan Walz, and then go to George Ross. What really changed here, and which government programs actually worked? I think we want to hear what has helped with the turnaround of this industry.

Mr. Evan Walz: Thank you, Mr. Chair.

I may ask for some assistance from Frank and Bill with this.

You asked what worked. Clearly, the support from the federal government was instrumental—CanNor and NRCan. That really helped us move this forward. I think I would also be comfortable in saying that the seminal change in the industry—

Ms. Joan Crockatt: Could you go into that rather than just referring to them? I'm hoping to drill down. I think we've heard before that those two programs helped. Can you give us a little bit more direction on what you felt actually worked in the turnaround?

Was it the amounts of money? Was it how responsive it was? Was it the fact that these programs could move and fit? Were we proactive? Were you proactive? How did it go?

• (1635)

Mr. Evan Walz: I'll ask Frank Lepine to provide a little bit more detail on the CanNor funding.

Mr. Frank Lepine: Yes, thank you very much.

One of the things that really affected how we view forest products was the assessment of the cost of energy over time. I heard a reference to natural gas. Unfortunately we don't have a source of natural gas in the Northwest Territories that's readily available to us.

In 2011, the government completed a biomass energy study looking at alternative forms of energy for heating, electricity, and so on. That's really the driver behind this, or where we've come from. In the past, we produced two-by-fours and two-by-sixes like everybody else, but being so far from the common market, it was a failure at the outset. We were in losing markets.

We see that with the creation of a base industry, we may have the ability to create a local sawmill and local markets for the Northwest Territories. But for us, the starting point is the development of that biomass energy strategy.

Ms. Joan Crockatt: Okay, thank you.

Mr. Ross.

Mr. Lyle Dinn: Yes, good afternoon. It's Lyle Dinn here.

What really happened in the territorial renewal of 2003 was devolution. Yukon now exercises complete control over its forest resources, so the decision-making is here and it's local. That, in and of itself, along with the completion of our regional forest management plans, which are treaty based, has given us the platform and the social licence to make decisions in which our community and our industry are much more reactive.

That has set the stage for continued investment. We're at the point now where, with technical support and capital investment, we could really move the forest industry into the future, here in the territory.

Ms. Joan Crockatt: Were there any other programs that you accessed, such as the ones in NWT that helped you to develop the industry there?

Mr. Lyle Dinn: In the Yukon, so far the support has been pretty limited. It's not similar to NWT, but we have had funding from CanNor on inventory projects associated with the territories. We have benefited over the last three years, but with a different sort of model, and not to the extent nor the value of the projects in the Northwest Territories.

Ms. Joan Crockatt: Okay, so you're in an earlier phase there.

Mr. Lyle Dinn: In some ways, yes.

Ms. Joan Crockatt: Okay.

Brian, I want to turn to you. I was wondering how receptive the markets have been to the development of these new products. Are there any downsides or impediments?

When we talk about importing we mean importing products from other provinces in Canada, not federally or internationally, correct? What are some of the market forces that you've been dealing with?

Mr. Brian MacDonald: Right out of the gate, I think of the variable cost of oil. If you want to encourage convert to another fuel source, you have to be able to incentivize the end user. At this point there's very little incentive to convert over. Most do it simply based on economic modelling. There are a few who do it for environmental purposes.

At the end of the day, most people require some type of incentive to do that. At this point, there isn't very much incentive in the north to do that, from our experience in the Yukon.

The Chair: Thank you.

Thank you, Ms. Crockatt.

We go now to the official opposition, the NDP.

Mr. Bevington, you have up to five minutes.

Mr. Dennis Bevington: It's a good dialogue. I think some clarification is needed on the development of the biomass industry in the sense that there is significant private sector involvement in it, setting up the equipment and providing the pellets. Certainly, within the industry as well.... The Government of the Northwest Territories has been instrumental by converting large buildings over to wood pellets and opening up a viable supply source for the rest of the community.

Could you talk about how that industry is developing and making a difference for everyone? My question is to the Government of the Northwest Territories.

• (1640)

Mr. Evan Walz: Yes, that has been an important element, as we mentioned in our presentation. As a government we've tried to take steps to move public buildings to biomass fuel, and others seem to have followed suit. We have a number of industrial clients, school boards, and schools that are moving towards this technology and doing so with good success.

There has been from an industry perspective, MP Bevington will know, some involvement and a lot of interest from industry in developing a pellet mill here in the NWT. That has really helped to push us towards making more use of this technology and trying to find a sustainable, built-in-the-NWT approach to this issue we have. It has also helped us reduce our greenhouse gas emissions and

decrease the volume of fuel that we are burning in some of these buildings.

Mr. Dennis Bevington: I'm just going to change the subject a little bit here because we're talking about forest uses.

To the Government of Yukon, last summer probably the largest money-maker in your forest industry was the mushroom harvest, and that's an ongoing opportunity. Maybe you could describe what goes on with that and what significance that has. The morel mushroom industry worldwide is in the multi-billion dollar category.

Mr. Lyle Dinn: Thanks for identifying what was a very exciting summertime for us here in the territory last year for morel mushroom picking. For those who didn't know—it's a pretty transient work source and it's hard to get the numbers—we're looking at \$3 million to \$5 million of economic activity associated with the morel mushroom boom that lasts about six weeks.

Our legislation allows for the permitting of non-timber forest resources so we're very interested in the long-term management of those. As well we see opportunities in products like chaga tea and birch syrup, and there are other forest sector things that are going on in the territory at this time.

Mr. Dennis Bevington: I don't know if the GNWT wants to comment as well.

The Chair: Would someone from the Government of the Northwest Territories comment?

Mr. Evan Walz: I'll ask Bill Mawdsley to provide some comment.

Mr. William Mawdsley: The Government of the Northwest Territories is aware of the opportunities that present themselves through things like the morel mushroom harvest, birch syrup, and other non-timber forest products. It's an area we're just getting our feet wet in. We don't have a regulatory framework together yet, but we're looking at how other agencies are doing it in Canada to avoid the same mistakes they've made.

We are aware of the opportunities that are there and we are looking at how government can assist people who might want to get into that without interfering with the market.

The Chair: Thank you very much.

Thank you, Mr. Bevington.

We'll go now to Mr. Trost for up to five minutes.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Mr. Chair, I must apologize for this question, but I ask for clarity's sake to both the representatives from the Yukon and the Northwest Territories. I keep hearing about how industrial users—government users—are switching to pellets for their heating. I have lived in both Whitehorse and Yellowknife for short periods of time, and from my perspective, considering how much it costs to ship fuel up north, why wouldn't it be cheaper for everyone to use pellets?

I understand if you have an infrastructure set up, but for someone who is building a new residence or facility, are the costs comparable or why on an economic basis is not everyone converting over to biomass wood pellets in the territories for heating?

First to the Yukon and then to the NWT.

•(1645)

Mr. Lyle Dinn: I take it your question is more on the domestic side, but I think a lot of it comes down to preference. Some folks really like oil and there's an established business sector there. I think as the information gets out around modern pellet systems that are available....

The amount of use will increase. For instance over the last three to five years, we've seen year-over-year increases on the domestic use in Whitehorse of pellets. The information is getting out there. I think it's just a matter of time to catch up.

Yukon has a long-lasting love affair with wood, so if it's not pellets a tremendous number of people in the Yukon certainly burn cord wood. Certainly wood products are not new.

Mr. Brad Trost: Would the same be for the NWT and it's just a matter of time before people switch over from fossil fuels to pellets and other wood products?

Mr. Evan Walz: I think that's fair to say. The infrastructure right now is slightly more expensive.

One of the other issues that we've noticed is that people are a little concerned about supply. The fuel oil has a regular well-established supply chain. I think people are a little unfamiliar with, and maybe a little skittish of, a solid a supply chain on the pellet front. Over time I think that will disappear.

Mr. Brad Trost: In your opinion, if someone builds a plant it will become sort of self-fulfilling. Say's Law states that supply creates it's own demand.

Mr. Evan Walz: That is certainly one of the things we look forward to, yes. We can address the issues associated with supply chain by having a plant and a supply that's built here in the NWT.

Mr. Brad Trost: I want to follow up with the representatives from the Yukon.

People talk about how far away you are located from various places, but as you know, Whitehorse—which is not necessarily where most of the timber resource is, but is one point of reference—is not that far from Skagway relatively speaking.

If the infrastructure were put in place at the port, what is the potential that one could look at watching Canada's exports to China grow vastly? Once you hit the water—yes, different ports take a couple days, plus or minus, more—would you not be very competitive with places like Prince Rupert and Vancouver? If they get the infrastructure in place, what is the potential for export to China from a place like the Yukon or northern British Columbia?

Mr. Lyle Dinn: I think it would be a dramatic improvement from the current situation. The opportunities, I think, are there. We haven't been able to.... There have been several leaders on the wood pellet side and the forest products side that have come to the territory. They keep running into that barrier of export as a byproduct, over and

above the domestic use. They see that ends up making their businesses not feasible.

The other crux of it is that at the Fort Nelson railhead, the bulk of forest resources that are of a commercial scale are in the Watson Lake area in southeast Yukon. That's still roughly around 500 kilometres from Skagway.

Mr. Brad Trost: The general problem is that where the forestry resources are in the Yukon is still far away. The forest product isn't evenly spread around the territory.

Mr. Lyle Dinn: Yes, the bulk of the opportunity is isolated.

The Chair: Thank you.

We go to Mr. Bevington again from the official opposition and then finally to Ms. Block after Mr. Bevington.

Go ahead, please.

Mr. Dennis Bevington: Thanks, Mr. Chair.

I think my colleagues have decided that I'm the one who should talk here today because of being northern development critic and a resident in the Northwest Territories. It's easy for me to talk about this subject and I'm pleased to do so.

In reality, right now, the 44,000 people in the Northwest Territories are using 10% of the pellet supply in Canada. If this becomes a trend across northern Canada where there are many more people than that who don't have access to natural gas services, would you say that the opportunities for the market for pellets in Canada, with the price of fuel oil what it is...? The BTU cost of pellets versus fuel oil is almost double. Fuel is almost double for BTU of the cost of pellets and they're very similar in terms of the way that they can be automated.

Do you see that there could arise a problem in the future where we need to develop these northern sources of pellets to ensure that we have a reliable supply? That's to the Northwest Territories.

•(1650)

Mr. Evan Walz: Yes, you're correct. The plan that's in place right now with this pellet mill in the southern part of the NWT would and could not only feed the demand in the north, but as things ramp up, it could provide to southern Canada. There is demand in southern Canada.

We are on the highway system, so transportation is perhaps not as much of a challenge. But right now, in its infancy, our focus is on trying to secure that mill to allow a domestic supply in the NWT. We'll deal with that first.

But Mr. Bevington is right; there is certainly demand beyond our borders in the Northwest Territories.

Mr. Dennis Bevington: To your knowledge, have there been any conversions of federal buildings in the north to wood pellets? It's something I've tried to work on down here, to encourage the federal government to get involved in this program.

Mr. Evan Walz: We're shaking our heads here.

We know that the territorial government has taken steps to convert a number of its buildings—schools—but none of us around the table has first-hand knowledge of any federal buildings that have moved to biomass fuel.

Mr. Dennis Bevington: That would be something that this committee could look at as an opportunity for the federal government, not only to reduce its cost but to provide a stimulus to an emerging northern economy.

Mr. Evan Walz: Yes, you're correct.

It would and it could provide yet another anchor client to help further develop and advance this industry as we go forward. Clearly anybody investing a significant amount of money in developing this industry will need solid blue-chip anchor clients. The more industrial or commercial-sized buildings that we can get on board, the better.

Mr. Dennis Bevington: I don't know if I have a lot more questions now. I think we've covered most of it.

I do think there are some more things to be said about the relationship with the forest fire situation. When we burned up three and a half million hectares of forest last year and the average burn across Canada for the last decade is two million hectares, you know we have significant resources that have been taken up by this.

Mr. Lepine, you talked about the timeframe to harvest. Is the government moving forward with a plan to deal with harvesting the fire-killed wood that's in these massive burns?

• (1655)

Mr. Frank Lepine: Thank you, Mr. Bevington.

Yes, we have been assessing burnt wood to ensure that it's a valuable fuel for biomass. But there is a certain point in time when it's no longer valuable; it becomes quite rotten and begins to fall and so on.

The Chair: Thank you, Mr. Bevington.

We go finally to Ms. Block, Parliamentary Secretary to the Minister of Natural Resources.

Go ahead, please, Ms. Block. You have up to five minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair, and I'd like to join my colleagues in thanking all of you for joining us on such short notice. This has worked very well, the teleconference. I don't think we were sure how it was going to go but it's gone very well. Thank you very much.

I want to go back to some of the comments that were made in the opening remarks.

Mr. Walz and Mr. Ross, respectively, you made comments about being on the cusp of developing the biomass industry and also introducing—I think this was Mr. Ross—a draft bioenergy strategy very recently.

I also understand that the Champagne and Aishihik First Nations are working with NRCan through the Canadian Forest Service aboriginal forestry initiative or AFI on a strategic approach to supporting forest-based economic development for aboriginal peoples across Canada and that in 2014-15 AFI is investing \$80,000 in the sustainable use of biomass to drive local economic development. I understand as well that there are some factors driving this. First of all, there is the assessment of the cost of energy over time as well as a goal to reduce the use of imported energy products, notwithstanding industry's interest in seeing some value-added products for your area.

Is there any pan-territorial initiative ongoing right now that you would like the committee to be aware of or are there any partnerships and opportunities for pan-territorial initiatives? Lastly, what could the federal government do to help foster any sort of pan-territorial efforts?

Any one of you can answer that question.

The Chair: Go ahead, please, maybe someone from the Government of the Northwest Territories to start.

Mr. Evan Walz: I might throw this over to Bill and Frank. I know that at a pan-territorial level, just wearing another hat, there's some work under way on the greenhouse gas front. While we haven't talked a lot about that today, this technology and this industry does help us on that front as well.

I don't know if Frank or Bill wants to add anything to that on work they're aware of that's pan-territorial in nature or how the committee might help foster that sort of thing.

Mr. William Mawdsley: GNWT is aware of the AFI program and we do endeavour to, at least working with our aboriginal partners, make sure the opportunities that are available through that program are available to be accessed by our aboriginal partners. We would encourage the Government of Canada to continue to provide that on a pan-territorial basis.

In terms of the biomass strategy, the Government of the Northwest Territories and the Government of Yukon have been working together over the past number of years on looking into the biomass and bioenergy, greenhouse gas, biomass strategic direction, and the support that we can get from FPInnovations, and our partners in CFS. The Government of Canada is instrumental in making those programs work successfully, so we would like to see NRCan and the support for FPInnovations continue on a pan-territorial basis.

That's about all I can say about that right now. Thank you very much.

The Chair: Okay. Is there anything from the others from the Northwest Territories? If not, is there anything from the Government of Yukon.

• (1700)

Mr. George Ross: I would just observe for the committee that having a pan-territorial focus on the forestry industry is important from the Yukon's perspective. I think you heard today that there are a lot of similarities in the challenges and opportunities faced by the Yukon and the Northwest Territories when it comes to growing the forest industry. These challenges and opportunities are unique to the territories, quite different from what you will find in a more established traditional forest industry economy as you see in southern provinces.

I do think that having that kind of pan-territorial focus and understanding the unique dimensions of the challenges here are very important. Our focus, and we share this with the Northwest Territories, is really growing our local forest industry and linking that with the other policy imperatives of government such as energy strategy and other economic development strategies. I would just

answer the question by saying I do think it's an important thing for us to have a northern forest sector strategy focus on this and to make sure that it's understood that it is unique from some of the other challenges facing the other parts of the country.

The Chair: Thank you, Ms. Block.

Thank you to all the witnesses once again; from the Dakwakada Development Corporation, Mr. MacDonald; from the Northwest Territories, Mr. Walz, Mr. Lepine, and Mr. Mawdsley; from the Government of Yukon, George Ross, and Lyle Dinn.

Thank you all so much. We really appreciate your input. It will be helpful to us in our study.

We will suspend the committee for a minute as we go in camera.

[Proceedings continue in camera]

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