

Chapter 22

Environment – Regulating Reforestation

1.0 MAIN POINTS

Since 2014, the Ministry of Environment has implemented the three remaining recommendations initially made in our 2009 audit of its processes to regulate reforestation. By September 2016, the Ministry had processes to: set terms and conditions for reforestation and approve forest product permits, set fees at a level to cover reforestation costs, and monitor forestry operators' compliance with reforestation requirements.

2.0 INTRODUCTION

Reforestation is an important part of sustainable forest use, allowing a sustained flow of forest products and maintaining forest ecosystem health. The Ministry is responsible for the sustainable use of forest land for the benefit of current and future generations.¹

The Ministry regulates reforestation by issuing several types of licences and permits, including Forest Management Agreements (FMAs), Non-FMA Area Term Supply Licences (TSLs), and Forest Products Permits (FPPs). Adequate reforestation through use of licensing helps ensure that the forest regenerates promptly and with the right kind of trees.

In 2015-16, in addition to its regulatory activities, the Ministry spent \$1.7 million on reforestation of harvest areas that are the responsibility of the Crown (i.e., the Provincial Government).²

In our 2009 audit, we made seven recommendations to help the Ministry strengthen its processes to regulate reforestation of the provincial forest on Crown land.³ Our first follow-up, reported in our *2011 Report – Volume 2*, Chapter 8, found that by March 2011, the Ministry had implemented one recommendation. Our second follow-up, reported in our *2014 Report – Volume 1*, Chapter 21, found that by March 2014, the Ministry had implemented three more recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

¹ *The Forest Management Act*, s. 3.

² Ministry of Environment, *2015-16 Annual Report*, p. 40.

³ See our *2009 Report – Volume 3*, Chapter 6 for the results of the initial audit. In this audit, we concluded that Environment had effective processes to regulate reforestation of the provincial forests on Crown land except for processes to set and verify reforestation fees, monitor forest operators' compliance and inform stakeholders about the effectiveness of reforestation.



3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the Ministry's actions up to September 30, 2016, and the status of the recommendations. We found, by September 30, 2016, the Ministry had implemented all three remaining recommendations.

3.1 Process for Setting Reforestation Terms and Conditions in Place

We recommended that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Implemented

Since 2014 (the timing of our last follow-up), the Ministry has established a process to set terms and conditions. Its Forest Service Branch Directives (policies and procedures) apply to all harvesting agreements (FMAs, TSLs, and FPPs). These policies and procedures set out when the Ministry requires reforestation.

The Ministry includes terms and conditions related to reforestation in all FMAs and TSLs. FMAs and TSLs are typically agreements or licences issued to major forestry operators. Through the terms and conditions, FMAs and TSLs are responsible for reforestation in their geographical area.

Harvesters using FPPs contribute fees to help cover costs of reforestation done by the FMA, TSL or the Crown. For FPPs issued to a smaller harvester within a FMA, TSL, or Crown-administered⁴ geographic area, the harvester must remit fees into the associated trust for reforestation (as described in **Section 3.2**). In those cases, area-based FMAs, TSLs or the Crown remain responsible for forest renewal regardless if Environment issues an overlapping permit such as a FPP.

Environment may also issue FPPs to end-users where no reforestation is required (e.g., for haying, grazing, seismic testing, or power or highway rights of way). In the last five years, the Ministry has issued FPPs without being subject to FMA, TSL, or Crown reforestation for less than 1% of harvested land (2011-12: 0%, 2012-13: 0.05%, 2013-14: 0%, 2014-15: 0.83%, 2015-16: 0.73%).

If the Ministry issues a FPP for a larger harvest project outside an existing FMA/TSL area, the Ministry indicated it would require an environmental assessment which would include reforestation plans. It has not issued such a FPP to date.

⁴ Crown-administered lands include agricultural land, Island Forests (forested areas surrounded by agricultural land), and provincial parks.

3.2 Process to Set Reforestation Fees in Place

We recommended that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Implemented

The Ministry requires forestry companies to set aside money (reforestation fees) in reforestation trust funds to cover the costs associated with reforestation of harvested areas.

In 2015-16, 3.78 million cubic metres of timber were harvested. FMAs and TSLs harvested 95% and FPPs harvested 5%. In 2015-16, the Ministry levied reforestation fees of \$5.5 million, of which 93% were from FMAs and TSLs, and 7%⁵ from FPPs. The Ministry has established a process to set and adjust reforestation fees at a level to cover reforestation costs. As of September 2016, the reforestation fees set were sufficient to cover reforestation costs incurred by reforestation trust funds and directly by the Ministry.

For FMA licences, the Ministry can adjust forest management fees (which include reforestation fees) in individual licences. For example, it can amend the FMA licence to reflect the renewal cost by species group (hardwood, softwood, or combination of renewal).

For TSLs and FPPs, Cabinet can set the fee rates and to whom they apply (through regulations). At September 2016, *The Forest Resource Management Regulations* set out the fees that are part of the related licences; it has set blanket rates that apply to all TSL and FPP licence holders for the term of the licence. At September 2016, the regulations did not allow the Ministry to adjust fee rates in individual licences or permits to align them with actual reforestation costs for the related FMA, TSL, or Crown area.

On May 25, 2016, the Minister tabled amendments to *The Forest Resource Management Amendment Act*⁶ (Bill 10) for the consideration of the Legislative Assembly. The proposed amendments allow the Ministry to adjust reforestation fees for individual licences (e.g., TSL or FPP). The Bill received Royal Assent on November 30, 2016, and is now law. By March 2017, the Ministry had begun to adjust individual reforestation fees.

3.3 Forest Operators' Reforestation Activities Monitored

We recommended that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Implemented

⁵ FPPs that do not require reforestation are not required to remit reforestation fees.

⁶ <http://docs.legassembly.sk.ca/legdocs/Bills/28L1S/Bill28-10.pdf> (20 October 2016).



The Ministry's processes to monitor operators' compliance with reforestation requirements include the following.

After harvesting in a specific year, the Ministry gives companies two years to complete the required reforestation. After a further five years, the Ministry requires companies to survey the area to determine whether the forest has sufficiently regenerated. Companies must give these regeneration assessment survey reports to the Ministry within 18 months after their year-end.

The Ministry conducts field audits and visual and/or aerial surveys to verify sufficient regeneration of harvested areas. The Ministry prepares a final assessment report which outlines further work needed (if any) by the harvester to sufficiently regenerate the area.

We found FMAs and TSLs all submitted the required regeneration assessment surveys to the Ministry. At September 2016, the Ministry had conducted its field audits for surveys received up to March 2015. It was preparing final assessment reports and expected to complete them in the fall of 2016.