

WE GROW TO BUILD CANADA

**A Forest Sector Action Plan for
Canada's Government**



Prepared by Forest Products Association of Canada (FPAC)

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Forest Products Association of Canada (FPAC) and its members are looking to partner with decision makers on collective action in support of wide-ranging goals and objectives that will recognize and support the transformative progress forest products companies have made in forest management, GHG emissions reduction, and the creation of an innovative, more sustainable economic future for Canada.

FPAC provides a voice for Canada's wood, pulp, and paper producers nationally and internationally in government, trade, and environmental affairs. As an industry with annual revenues exceeding \$87.2B, Canada's forest products sector is one of the country's largest employers—providing 200,000 direct jobs and operating in hundreds of communities across the country. Our members are committed to collaborating with Indigenous leaders, government bodies, and other key stakeholders to develop a cross-Canada action plan aimed at advancing forest health, while supporting workers, communities and our environment for the long term.

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Introduction

Derek Nighbor, President & CEO, FPAC

Canada's forest sector has long been recognized for its unique ability to drive economic growth, deliver low-carbon solutions, and sustain communities across the country. Our industries directly employ more than 200,000 people from coast-to-coast, generate \$87 billion in economic activity, and represent Canada's fourth-largest Canadian export industry—with forest products accounting for \$37 billion, or 5% of all Canadian exports in 2024.

The forest sector is vital to tackling some of Canada's biggest collective challenges: [building affordable homes](#), [reducing wildfire risk](#) and [carbon emissions](#), [creating jobs](#), and [supporting rural and Indigenous prosperity](#). The blend of economic and civic benefits forestry produces has been underutilized and absent from national policy conversations for far too long. Recent signals from our federal government have been welcome, but there is far more to be done.

Forest industries are highly integrated, trade-exposed, and heavily regulated. Pressure applied in one area is quick to ripple across others. When a sawmill shuts, a pulp and paper mill loses the wood chips that serve as its inputs. When the United States increases duties on softwood lumber, companies must withstand financial strain that accelerates closures and disrupts supply chains throughout the sector. When regulatory pressures increase, additional complexity and cost threaten competitiveness and deter investment. When rail service is insufficient or a work

stoppage shuts down a key ocean port, customer confidence suffers, and market share is lost to global competitors. It is precisely these factors which have led to 49 mill closures and 8,700 lost jobs in the last decade alone.

This trajectory is not inevitable. With global demand for wood products expected to rise by [nearly 50% from 2020 to 2050](#), Canada should be supplying more wood to Canadians and the world, not less. Without urgent policy corrections, investment will continue to flow to more competitive jurisdictions, leaving Canadian communities, jobs, and climate goals at risk.

With a mandate to unlock economic growth, diversify trade, and build the strongest economy in the G7, Canada has a partner in the forest sector. We welcome the new government's early actions to support the sector—including recent reliefs for the softwood lumber industry. These measures are important first steps to address immediate pressures facing workers and communities. But the scale of the challenges before us requires a more structural, long-term response.

FPAC offers a frame for understanding what is needed to build on its early supports and send a clear signal to workers, communities, and investors. To maximize the economic and civic benefits of forestry, government must:

1. Create the enabling conditions for prosperity through **regulatory modernization and growth incentives**;
2. Ensure that as investments are made, **trading relationships and enabling infrastructure can deliver products to global markets**.
3. Use all available tools to grow sector capacity, integration, and innovation into a **housing & wood construction advantage**;

These initiatives are interdependent, and if pursued in concert will rebuild investor confidence, protect and grow jobs, and deliver housing, climate, and economic results for Canadians.



A handwritten signature in blue ink, appearing to read 'Derek Nighbor'.

Derek Nighbor,
President & CEO, FPAC



We Grow to Build Canada: A Forest Sector Action Plan for Canada's Government

From wildfire devastation to housing shortages and escalating trade pressures, Canada's forest sector sits at the crossroads of the country's most urgent economic and environmental challenges. Fragmented policies and outdated regulations have too often prevented the sector from delivering its full potential as a solutions partner. **FPAC has identified three bold, integrated pillars that the federal government can act on immediately to stabilize communities, attract investment, and strengthen Canada's global competitiveness.** These actions are mutually reinforcing: accelerating housing delivery, restoring reliable trade and supply chains, and modernizing forest management to prevent wildfires while unlocking clean energy from biomass.

Reclaim Competitiveness Through Regulatory Modernization and Growth Incentives

Never has the effect of accumulated regulation on the forest sector been clearer.¹ Industry is strictly limited in how it can operate on the land base despite a significant contribution to be made in mitigating wildfires through more active management, and investment is disincentivized by the complexity and cost of operating in a multi-jurisdictional environment that suffers from significant duplication and inefficiency.

Taken together, these impacts have a profoundly negative effect on Canada's society and economy. Wildfires threaten community safety and cost Canadians more than \$1 billion annually in damages and firefighting expenses.² At the same time, forest biomass that could be an economic asset to mills is left to fuel increasingly frequent and devastating fires or decompose and emit GHGs. All the while, the inability of companies to operate in a timely and cost-effective manner discourages any of the requisite investments to invest in assets and grow capacity. Mills are closing or setting aside capital investments, harvest levels are declining, and millions of tonnes of biomass remain stranded on the forest floor as wildfire fuel.

In other words, the foundation of forest sector capacity and investment is crumbling. To rebuild a strong and enduring future for the sector, government must be willing to fundamentally alter the conditions in which forestry and forest product manufacturing exist by combining significant regulatory modernization with ambitious growth incentives. Doing so can mobilize capital and provide a foundation for complimentary actions on trade diversification and housing construction.

To stabilize operating conditions and incent growth in the forest sector, the federal government should:

- **Pass draft legislation for the Clean Investment Tax Credits (ITCs) for biomass projects** to unlock \$6 billion in investment. Biomass conversion creates a market for

¹ For more information, see FPAC's [Improving Regulatory Efficiency: A One-Window Solution for Canada's Forest Sector](#) report.

² For more information, see FPAC's [How Canada's Forest Sector Can Support Wildfire Resilience](#) report.

low-value fibre that fuels wildfires, modernizes mills, generates clean electricity, and provides an economic incentive for managers to remove hazardous fuels before they ignite.

- **Prioritize the forest sector within the Strategic Response Fund (SRF)**, specifically by supporting advanced manufacturing and transformation in the pulp and paper industry by **introducing a \$1.34B Pulp and Paper Mill Competitiveness Program (PPMCP)** to modernize mill infrastructure, enhance reliability, and improve global competitiveness;
- **Establish one-window permitting agreements with provinces** to streamline approvals for forestry activities that reduce wildfire risk, including water crossings, thinning operations, and prescribed fuel treatments.
- **Modernize key federal regulations**—including the *Fisheries Act*, *Migratory Birds Convention Act*, and *Species at Risk Act (SARA)*—to enable more provincial leadership where suitable frameworks exist, reflect updated data and science, and enable landscape-level, regionally tailored approaches to wildfire mitigation.
- **Expand Fisheries and Oceans Canada’s (DFO) Codes of Practice** and create a Prescribed Works and Waters Regulation to clarify low-risk forestry activities, recognizing provincial equivalents and Beneficial Management Practices (BMPs).
- **Fund Indigenous-led wildfire management initiatives**, including cultural burning practices and community-driven mitigation programs, to advance both reconciliation and resilience.
- **Match provincial funding for the Forest Enhancement Society of BC (FESBC)** at \$25 million annually for five years, scaling up proven activities in wildfire risk reduction, biomass utilization, and forest rehabilitation.



Defend Trade Competitiveness Through Market Diversification and Reliable Freight Infrastructure

A navigable and responsive regulatory environment where capital can be mobilized effectively to grow output and innovation requires stable markets and growth opportunities to deliver any meaningful benefit to Canadians. Our forest sector is configured to supply products to the world, and demand for those products will continue to grow as the need for low-carbon building and consumer products increases. To invest time and effort shoring up a building's foundation without investing simultaneously in the roads, pipes, and cables that connect it to the outside world is not a sensible approach.

Repairing our connection with Canada's most important trading partner, the United States, should be government's top priority. Today, 78% of Canadian forest product exports go south of the border, leaving the sector exposed to increasing softwood lumber duties, ad-hoc tariffs, and shifting U.S. trade policies. Our geographic proximity and integration with the United States market mean we must be working actively toward a resolution to the softwood lumber dispute, Section 232 investigation, and CUSMA renewal that protects the many benefits to Canadians and Americans alike that are driven by trade in forest products.

This does not preclude us from seeking to grow and develop new offshore markets for our products. Canadian forest products have a reputation for superior quality and renewability, and there are opportunities to expand our presence in regions like Asia, Central America, Europe and the Middle East to create optionality and mitigate risk for producers currently focused on the US market. Doing so requires both an offensive and defensive approach, seeking opportunities to feed global housing demand, re-manufacturing, and value-added markets while pushing back against tariff and non-tariff barriers that limit our access.

None of this will be possible **without bold solutions to the systemic challenges affecting our transportation supply chains.** Rail and port bottlenecks, excessive surcharges, and frequent labour disruptions have eroded Canada's reputation as a dependable supplier, and will therefore stymie any significant market diversification push. For mills operating on tight margins, unreliable logistics mean lost contracts, higher costs, and diminished competitiveness in global markets. Without stable trade

pathways, the sector cannot attract the private capital required to modernize operations, diversify exports, or supply the new housing capacity Canada urgently needs.

To strengthen trade competitiveness and facilitate market diversification, the federal government should:

- Work quickly to secure a **negotiated softwood lumber agreement with the US** and renegotiated **Canada-US-Mexico Agreement (CUSMA)** that provide long-term stability in key markets.
- **Deepen engagement with the European Union on its EU Deforestation-free Regulation** to guard against non-tariff barriers to Canadian forest products entering the EU market.
- Build on recent funding to **reinvigorate federal programming for market diversification**, restore and enhance forest product market development funding—\$2 million annually for three years—under a renewed *Canada Wood* framework, to further support export diversification and promote Canada’s sustainable forestry in global markets.
- **Improve competition and performance in rail markets** by strengthening regulatory oversight, end restrictive contracting practices, prohibiting over-recovery of fuel costs, and mandate standardized reporting and analysis of railway performance.
- **Rapidly modernize trade-enabling infrastructure** by adopting measures to encourage greater private investment, applying a system-performance lens to “national-interest” infrastructure projects, and aggregating strategic investments to enhance first-mile/last-mile connectivity and system redundancy (e.g., data technologies, inland terminals, warehousing).
- **Enhance labour stability** by adopting Industrial Inquiry Commission recommendations for dispute resolution, empowering parliament to impose binding arbitration if negotiations fail, and developing strategies to balance productivity-enhancing technology investments with worker concerns about automation.



Use Canada's Forest Advantage to Build Homes and Grow Manufacturing Capacity

As it builds the requisite conditions for stability and shores up essential connections to foreign markets, Canada will have a simultaneous opportunity to create new capabilities, offtakes, and frameworks for value-added manufacturing through Build Canada Homes (BCH). These new opportunities extend and adorn the structure provided by a stable operating environment and markets for traditional forest products.

Canada is facing a housing crisis of historic proportions, but with this challenge comes an opportunity. The Canada Mortgage and Housing Corporation (CMHC) has estimated that 5.8 million additional homes must be built by 2030 to restore affordability. At the same time, Canada has seen its primary market for wood products, the United States, escalate duties and tariffs on wood products that hurt Canadian exporters and American consumers. While the US will always need Canadian lumber to meet its demand, many see a near-term opportunity to focus more squarely on opportunities here at home that help Canada meet the moment.

The forest sector is uniquely positioned to help close Canada's housing gap. Home construction is already the most important market for Canadian wood products, with traditional stick-frame construction accounting for the vast majority of North American softwood lumber consumption. Value-added manufacturing of construction components (cabinets, moulding, furniture) represents a smaller share of manufacturing activity but is also essential. Perhaps most exciting are the applications for innovative wood-based modern methods of construction (MMC) like [engineered wood, modular construction, and mass timber](#).

The advantages of wood-based MMC are well documented and can help government reduce the cost of home construction without dropping the value of housing. However, manufacturing capacity is still in its infancy, and producers will need to smooth out demand curves to justify significant capital investments. This is the opportunity for BCH, which can demand-pull nascent wood-based MMC technologies, growing a relatively new capability that can serve domestic and international housing demand and provide housing optionality to provinces and municipalities.

To unlock Canada's forest advantage, FPAC recommends that ***Build Canada Homes (BCH) initiative*** prioritize the following actions:

- **Anchor predictable demand through federal offtake agreements** and a 3:1 private-to-public capital leverage target to attract long-term investment into Canadian factories;
- **Combine financing tools**—loan guarantees, concessional financing, contracts-for-difference, and reformed progress-payment rules—**with a one-window national approvals system and a Design for Manufacturing & Assembly (DfMA) library** to cut permitting and design timelines drastically.
- **Accelerate product approvals through the Canadian Construction Materials Centre (CCMC)** by establishing service standards and dedicated resourcing, reducing approval timelines that currently stretch up to two years to just months for innovative, wood-based products.
- **Apply affordability, low-carbon, and Buy-Canadian procurement standards** by requiring federal procurement to meet $\geq 20\%$ below-market affordability covenants, whole-life carbon thresholds, and Canadian content requirements.
- **Stabilizes factory production through quarterly bulk purchasing and regional hubs** that maintain at least nine months of backlogs—supporting facility expansion and workforce stability.
- **Builds skills and Indigenous partnerships** by aligning Employment and Social Development Canada (ESDC) programs for training and reskilling with modern methods of construction (MMC) needs, while expanding Indigenous participation in housing projects, factory ownership, and design partnerships.

Conclusion

The Canadian forest sector stands at a critical juncture, poised to address key national policy challenges such as housing affordability, rural development, emissions reductions, and wildfire resilience. To unlock the full potential of this sector, immediate and strategic actions are required. Policymakers must prioritize passing the draft Clean ITCs for biomass projects, reforming the federal carbon policy toolkit, reducing regulatory barriers for housing construction, and implementing workforce development supports. These actions will not only provide immediate relief but also lay the foundation for long-term resilience and competitiveness in the global market. By embracing these recommendations, the new federal government can ensure that Canada's forest sector continues to thrive, contributing significantly to the nation's economy, communities, and environmental protection.



Learn More About Forest Sector Solutions

[Fixing Canada's Transportation Supply Chains: Solutions for a Competitive Forest Sector](#)

[Improving Regulatory Efficiency: A One-Window Solution for Canada's Forest Sector](#)

[Advancing Economic Reconciliation in the Canadian Forest Sector](#)

[Unlocking a Future-Ready Workforce for Canada's Forest Industries](#)

[The Mass Timber Roadmap: An Integrated Forest-to-Buildings Value Chain](#)

[Climate-Smart Forestry for a Sustainable Environment, Economy, and Communities](#)

[How Canada's Forest Sector Can Support Wildfire Resilience](#)

[Solutions to Canada's Housing Crisis are Found in the Forest](#)

