

Intelligence MEMOS



From: Eric Miller
To: Canadians concerned about innovation
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Re: BRANCHING OUT IN FORESTRY

Canada's forest products industry is facing barriers to growth that require innovation, new trade markets and supportive government policies to overcome. In my new C.D. Howe Institute [Commentary](#), I examine how the sector is responding to its challenges and recommend policies that will help expand its contribution to the Canadian economy.

The external forces buffeting Canada's forest sector – price swings, US trade protectionism, and shifting market demand for its core products – have challenged the sector to become an innovation leader. As a natural resource-based sector, it also has had the come to terms with the challenges of sustainability and associated changes in the regulatory environment.

Today, Canada's forest sector shows potential as a leader in innovation, environmental sustainability and international trade.

Among key exporters of forest products, Canada has been more exposed to the dwindling demand for newsprint than competing nations, which have been able to expand more rapidly their exports of other types of paper and related products. More generally, investments in new capacity have languished in Canada, while expansion (including by companies seeking to diversify and jump over protectionist barriers) has proceeded in the United States, Europe and elsewhere.

Even though the forest sector already accounts for 12 percent of Canada's manufacturing sector GDP, it has the potential to do even better. Canadian innovations in wood products are now being used as the base materials for tall buildings, such as condo towers, and as an important component of the nation's fuel supply. Meanwhile, bioplastics made from wood are being turned into everything from airplanes to product packaging. While many of these applications are nascent, they are fast evolving and show significant potential.

For example, extensive research on fire and the structural performance of wood products and systems has demonstrated that wood buildings can be designed to be as safe as other types of construction and can meet or even exceed the building code requirements. One of the tallest wood buildings in the world is the 18-storey Brock Commons Tallwood House, on the campus of the University of British Columbia. Like others, it is built with prefabricated components and specially designed assemblies developed by Canadian engineering and manufacturing firms.

As the universe of tall wood buildings grows, these suppliers are now well-positioned to take these products and expertise global.

Given this rapid growth in applications for wood products, directly supporting the forest sector will reinforce Canada's desire to provide world-leading opportunities to its citizens in STEM professions. Moreover, sound forest management practices lead to better environmental and economic outcomes, including greater levels of carbon sequestration and increased biodiversity.

Among my recommendations:

- Scale up the government contributions to FPIInnovations, a non-profit innovation hub for the forestry industry, and other vehicles with a successful track record of commercialization.
- Consolidate the early product and process innovations supported by the federal government in partnership with the industry to make Canada a global leader in the emerging “tall wood building space.”
- Endeavour to ensure “regulatory neutrality” for the use of emerging wood and wood-based products.
- Create a window supported by carbon tax revenues to drive innovative local solutions to forest management, adaptation and utilization.

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