



Saskatchewan forest centre

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Premier's Task Force on Forest Development Progress on reopening marks Task Force Second Anniversary

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The Task Force marked the second anniversary of its appointment today with a progress report on the reopening of the Prince Albert pulp mill. One year ago, the Task Force released a Report to the Premier that confirmed reopening the Prince Albert pulp mill is the necessary piece to drive a value added sector and revitalize the industry in Saskatchewan.

Since then, Domtar has assumed control of Weyerhaeuser's Prince Albert based assets, and just over three weeks ago, signed a Memorandum of Understanding (MOU) with the Province that would reopen the Prince Albert pulp mill and Wapawekka sawmill. The MOU commits to several significant developments, with agreements to be completed or substantially progressed by November 1, 2007.

These include:

- Province to provide \$15 million to purchase 10% of the pulp mill. This equity will be available to First Nations to purchase for two years.
- Province to provide \$32.5 million in a matching grant to assist in the start-up of the pulp mill and expand power generation capacity. Target mill production is 328,000 tonnes per year.
- Environmental clean up commitments at the site will be split 72.5% by the Province and 27.5% by Domtar consistent with the 1986 sale of the facility to Weyerhaeuser.
- Domtar will not operate the paper machine and sheeters, and will remove them at their discretion.
- Domtar will seek and contract a third party to build and operate a sort yard/ chipping facility. This helps ensure that wood fibre goes to its highest value end use.
- Province to purchase 36% of Wapawekka sawmill for \$26.5 million. The Province will purchase an additional 15% of the sawmill from Domtar within two years of the facility reopening. Domtar will manage the Wapawekka sawmill for up to five years.
- Province will provide up to \$18.7 million for upgrades to Wapawekka that expands output up to 200 million board feet (Mbfm). Domtar to contribute \$3.3 million, reflecting their 15% ownership in the facility.
- Province assumes 100% ownership of the Big River sawmill (one sawline, two debarkers, three kilns and the planer to relocate to Wapawekka).
- The forest management agreement (FMA) reverts to the Province with 1.13 million cubic metres (m³) softwood allocated to the pulp mill and 800,000 m³ softwood allocated to Wapawekka. The Province has committed to obtaining Forest

Stewardship Council (FSC) certification, which provides third party verification of responsible forest management.

- Total investment from the Province is up to \$32.5 million in matching grants and \$67.2 million in equity.

Task Force member, Dennis Balon noted, “The value that reopening the Prince Albert pulp mill (the lynchpin of the industry) and Wapawekka sawmill means to revitalizing the forest industry can not be understated. This will put over 1400 people back to work at the mills, in the forest and in the supply and service sector throughout Saskatchewan. Over 1% will be added to the Province’s GDP.”

The Task Force looks forward to further actions that will expand the forest sector and complete the delivery of other recommendations that they tabled with government in September 2006. These include providing further support to advance a value added sector, identifying non-timber forest products (NTFPs) and maintaining the infrastructure base.

The Task Force met yesterday with officials from Domtar and the Provincial government. “The Task Force was advised that timelines are being met toward reopening of the Prince Albert pulp mill”, said Carol Soles, Task Force member. “We believe that the status of activities related to restarting the mill is an indication of all parties’ commitment to have this facility operate in the top quartile worldwide.”

The Task Force understands progress is as follows:

- The Phase I engineering study for restarting the pulp mill is complete. No major problems were identified after 18 months of shut down. Phase II is underway and will address reconfiguration of the facility for the production of northern bleached softwood kraft (NBSK) pulp.
- The initial engineering study looking at increasing power generation of the facility is complete.
- An engineering study of the Wapawekka sawmill will be underway shortly to double its production.
- The Province has hired a consultant to assess redevelopment options for the Big River sawmill.
- Discussions on the transfer of the Prince Albert FMA to the Province are underway.
- Saskatchewan law firms are being engaged to draft legal agreements.
- CEP local 1120 has voted unanimously to negotiate a new collective agreement. Representatives from the CEP national union have had initial discussions with Domtar about starting the process.

The complexity of revitalizing the forest sector around the reopening of the Prince Albert pulp mill (the lynchpin of the industry) can not be understated. The Task Force believes that a renewed and revitalized forest sector can be achieved in Saskatchewan if the value of the entire wood supply is maximized, short term issues are addressed and innovation and change are promoted.

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Glossary of Terms

Forest Stewardship Council (FSC) certification:

"Forest Stewardship Council (FSC) is a non-profit organization devoted to encouraging the responsible management of the world's forests. FSC sets high standards that ensure forestry is practiced in an environmentally responsible, socially beneficial, and economically viable way.

Landowners and companies that sell timber or forest products seek certification as a way to verify to consumers that they have practiced forestry consistent with FSC standards. Independent, certification organizations are accredited by FSC to carry out assessments of forest management to determine if standards have been met. These certifiers also verify that companies claiming to sell FSC certified products have tracked their supply back to FSC certified sources. This chain of custody certification assures that consumers can trust the FSC label."

Source: www.fscus.org.

Cubic metres (m³): how harvested wood fibre is measured. It takes approximately 2.3 cubic metres of softwood fibre to make 1.0 tonne of pulp.

Megawatts (MW): how power is measured and sold. SaskPower produces 3655* MW of power each year; 20 MW would supply electricity/power to 8500 homes per year. For example, PA has 14,029** households.

*Source: www.saskpower.com.

**Source: www.statcan.ca 2006 census.

Forest Management Agreement (FMA): A forest licence approved by the Minister of Environment, which confers certain rights and obligations to a forest company to manage and harvest a forest area in a sustainable manner and to supply its processing facilities with timber.

Northern Bleached Softwood Kraft (NBSK) pulp: a premium quality pulp made from northern/boreal softwood fibre that commands a premium price in the pulp market.