

SUMMARY

2012-2017 STRATEGY TO TRANSFORM QUÉBEC'S FOREST PRODUCT INDUSTRY

**DIVERSIFY
INNOVATE
ADAPT**

A STRATEGY TO DIVERSIFY, INNOVATE AND ADAPT

“A MODERN, DIVERSIFIED, FOREST INDUSTRY, ADAPTED TO MARKET TRENDS”

Here is the Government's vision to achieve the required transformation of our forest product industry.

The Strategy is based on the mobilization of all forest industry players to fully exploit Québec's numerous assets, including:

- a diversified, high-quality and well-managed resource;
- a world-renowned expertise;
- a well-established industry throughout the land;
- an outstanding training, research and innovation network.

It is supported by an intention, ratified by a majority of stakeholders, to implement major technological change so that the industry:

- **diversifies to reduce exposure to economic fluctuations** in the **wood manufacturing** sector;
- **develops new pulp and paper products and markets**;
- **exploits business opportunities related to the energy value** of forest biomass.

STRATEGIC DIRECTIONS

WOOD PRODUCTS: DIVERSIFY TO REDUCE EXPOSURE TO ECONOMIC FLUCTUATION

- Open emerging markets to existing products;
- Adapt mills to available resources and new needs;
- Implement high-end technology to minimize operating costs;
- Train the workforce and ensure its renewal;
- Invest in the development of innovative products.

PULP AND PAPER: DEVELOP NEW PRODUCTS AND MARKETS

- Pursue the development of intelligent paper and heavy-duty cardboard;
- Target new products compatible with existing technologies to use current infrastructure;
- Optimize transportation logistics to minimize operating costs;
- Innovate by creating and marketing high value-added wood by-products (nanocrystalline cellulose, cellulosic microfibril, fibre composites, extractives, jet fuel);
- Prepare the workforce for highly specialized jobs in the development of bio-based products.

BIOENERGETIC PATHWAYS: EXPLOIT BUSINESS OPPORTUNITIES RELATED TO THE ENERGY VALUE OF FOREST BIOMASS

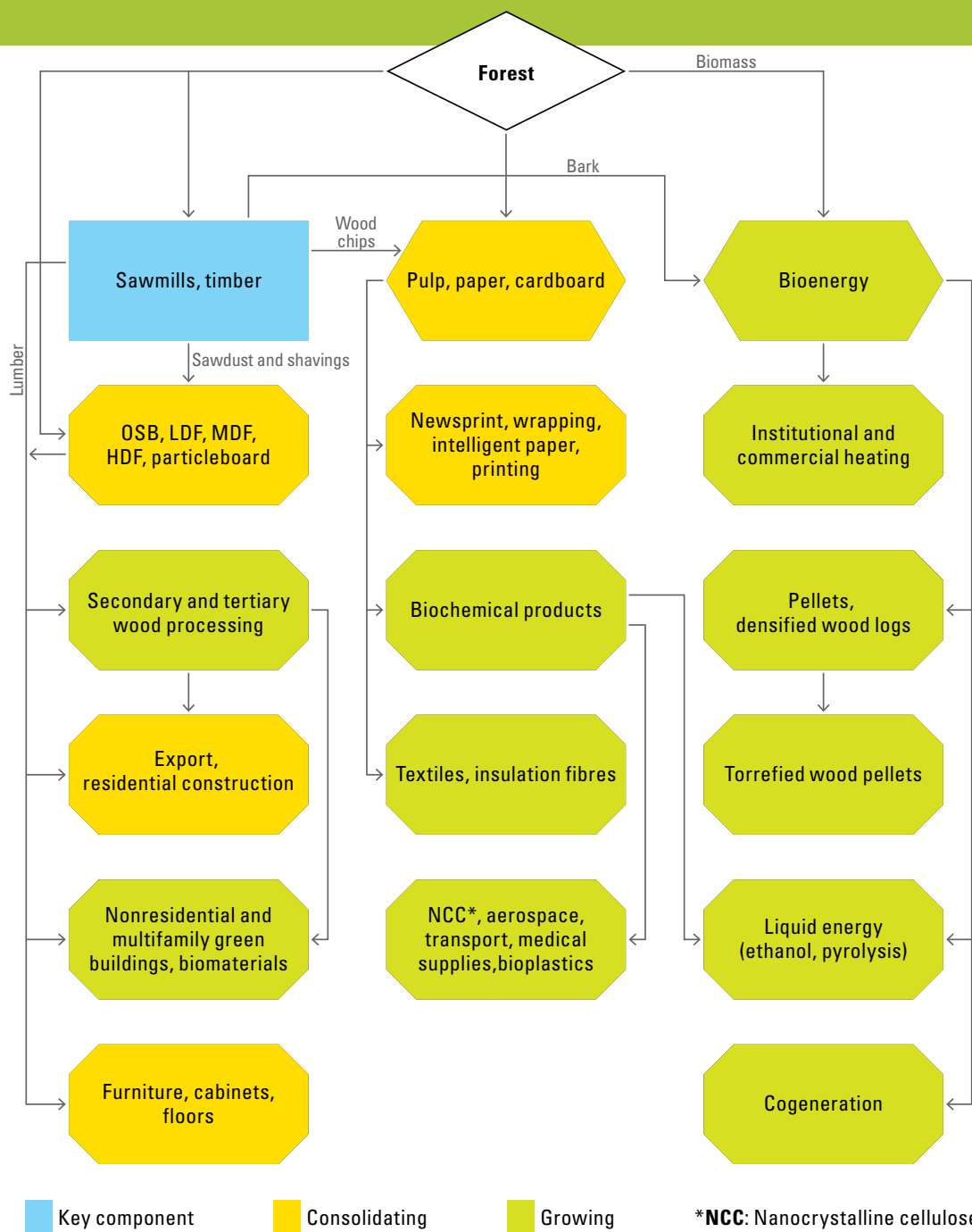
- Support the development of forest biomass markets for energy purposes;
- Invest in the use of forest biomass to replace fossil fuels (pyrolysis [bio-oils and biochar], transportation liquids, wood pellets, torrefied wood pellets);
- Promote the use of forest biomass to produce energy (cogeneration);
- Invest in equipment and facilities for the production and handling of wood pellets to make forest biomass harvesting profitable.



THE FOREST INDUSTRY: AN ECONOMIC CORNERSTONE TO PRESERVE

With its 52,000 direct manufacturing jobs and a trade surplus of \$5.6 billion during the height of the crisis in 2011, the forest industry remains a mainstay of Québec’s economy. Despite this, for some time it has been undergoing major change for many reasons:

- The rise of the Canadian dollar against the US dollar;
- The long US construction crisis;
- The explosive entry of electronic media, which has caused irreversible upheaval in the newsprint, printing paper and writing paper markets;
- The aging workforce and its exodus to other economic sectors following permanent and temporary mill closures;
- The fierce competition from traditional partners and emerging countries.



DIVERSIFY INNOVATE ADAPT

THIS IS THE CHALLENGE
FACING THE 2012-2017
STRATEGY TO TRANSFORM
QUÉBEC'S FOREST
PRODUCT INDUSTRY

IMPLEMENTATION OF THE MEASURES

Over the next five years, companies will have access to close to \$268 million in financial resources to transform Québec's forest product industry.

FINANCIAL RESOURCES TO SUPPORT THE TRANSFORMATION OF THE FOREST PRODUCT INDUSTRY	
	2012-2017 Total
a) Measures for the forest product industry as a whole	
<i>Fonds Valorisation Bois</i>	\$170.0 M
A taskforce on the hardwood forest	\$9.0 M
Tax credits for workforce training	\$2.0 M
b) Additional initiatives for certain activity sectors	
Application of recommendations from the Beaulieu report	\$28.9 M
The <i>ESSOR</i> program	\$40.0 M
Export Québec's <i>Programme Exportation</i>	\$3.0 M
The biotechnology and demonstration plant program	\$15.0 M
TOTAL	\$267.9 M
The Climate Change Action Plan	\$447.0 M ¹

Source: Ministère des Ressources naturelles et de la Faune.

1. The forestry sector will have access to a portion of this budget envelope.

THE FOLLOWING FINANCIAL RESOURCES WILL HELP SUPPORT IMPLEMENTATION OF THIS STRATEGY:

- The *Fonds Valorisation Bois* to fund companies, with money coming from Investissement Québec (\$95 M) and the Fonds de solidarité de la FTQ (\$75 M);
- The 2013-2020 Climate Change Action Plan is also a valuable financial resource for investments that will contribute to reducing greenhouse gas. The forestry sector is eligible for a portion of a \$447 M envelope; however this amount is not exclusive to forestry;
- An envelope of \$28.9 M was allocated to implement the recommendations of the report of the working group chaired by Léopold Beaulieu, which promote an increased use of wood in construction;
- The *ESSOR* program and Export Québec's *Programme Exportation* under the responsibility of the Ministère du Développement économique, de l'Innovation et de l'Exportation are also part of the resources available.