



Making Lemonade from Trees...

How the Domtar Pulp Mill Shut Down
Is Creating New Opportunities
For Eastern Ontario



STORMONT, DUNDAS & GLENGARRY
Community Futures Development Corporation
Société d'aide au développement des collectivités



Supported by FedNor / Industry Canada through the Stormont, Dundas
and Glengarry Community Futures Development Corporation



A Community Response to the Shutdown of the Domtar Pulp Mill at Cornwall Ontario

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PREFACE

The implications of Domtar's indefinite closure of the Cornwall pulp mill and one paper machine extended well beyond the boundaries of the City of Cornwall where the mill is located. A group of partners with a long history of working together recognized the need to understand the situation more precisely and to take action to either mitigate or help shape the changes unfolding in the broader community. Or "When the world hands us a lemon; we make lemonade."

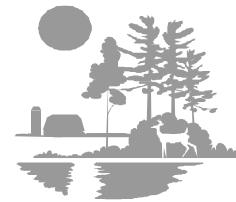
Forest sustainability necessitates a balance of the social, environmental and economic values associated with the forest. There were four key areas of focus needed to ensure the continued sustainable management of private forests: the 300 landowners directly involved, the mill itself, the overall landscape and new opportunities relative to conservation, economic and social values.

The thoughtful input of many individuals, organizations, consultants, industry and government sector staff, has wisely shaped the effort to date. The financial support of SD&G Economic Development and FedNor and the commitment of SD&G Land Stewardship Council has allowed the situation to be addressed with substance, positioning the community to respond to the challenges more effectively and to pursue new opportunities which result from the economic changes locally as well as globally.

The first two chapters of the report are supported by the final three chapters.

Chapter One consolidates the ideas and expertise of the many experts involved in this report and sets the direction; the business case in Chapter Two demonstrates the need for quick, coordinated, well researched action while the final three chapters follow-up with the data, tools and evidence useful to future decision making and action.

Brian Barkley, Eastern Ontario Model Forest
Sandra S. Lawn, Eastern Ontario Model Forest
Editors





BACKGROUND

On December 9th, 2004 Domtar announced that "...it will close indefinitely part of its operations at its Cornwall mill. More specifically, the company will shut down the pulp mill, a paper machine, and a sheeter at this location." The closure took effect on March 8, 2005 and will last until such time as economic and market conditions allow these assets to operate profitably. In so doing, Domtar will be curtailing production by 150,000 tons of pulp and 85,000 tons of paper. This measure will impact approximately 390 direct jobs, 300 landowners and many loggers and contractors. Domtar also announced that it will eliminate a further 400 jobs across the company's operations in Canada and the United States, including management and staff functions, by the end of 2005."¹

The closure, along with the release of pulp furnish back into the market place, has disruptive impacts at various levels of the forest products market in eastern Ontario and the Cornwall mill's woodshed that extends into Quebec and New York state.

The announcement of the shutdown of the Domtar Pulp Mill at Cornwall Ontario initially had a chilling effect on the community of Stormont, Dundas & Glegarry and the City of Cornwall. The news was widely broadcast and people were worried. Meetings were held, reports were written, emails and phone calls were exchanged.

Support from FedNor and Stormont, Dundas & Glengarry Community Futures Development Corporation encouraged the Eastern Ontario Model Forest and the SD&G Stewardship Council to proceed with stage one of an action plan for the rural communities negatively affected by the Domtar Pulp Mill shutdown.

This publication is a consolidation of several reports prepared by leading experts in a variety of fields. It demonstrates the importance of thorough research, the integration of innovative ideas and the dissemination of the knowledge and tools necessary for sound environmental and economic action.

¹ Source:
http://www.domtar.com/Navigateur_Standard/PRESS_RELEASE/EN/HTML/3157_EN.asp?Category=3



CONTRIBUTORS

Editors

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Chapter One "Expert Roundtable on Strategies and Recommendations for Alternate Uses of Wood Fibre" Sandra Lawn

Chapter One includes the output of an expert roundtable assembled and facilitated by Sandra S. Lawn, Project Leader with the EOMF. Foresters, engineers, government, non-government and industry representatives shared key knowledge with the researchers and each other. A literature review also provided background for the report.

Chapter Two "Bio-products Demonstration Business Case" Peter Milley

Chapter Two is a demonstration business case for a selected biomass opportunities and was developed by Peter Milley of Halifax Global Inc. Peter Milley has over fifteen years of consulting experience in market research and strategy development and corporate/industrial planning. He is internationally recognized for expert evaluation of current market trends and positioning and assessing new market and product opportunities for dimension, engineered, composite and other value added wood products. Further information can be found on www.halifaxglobal.com

Industry experience includes service as Vice President Corporate Development for the North American operations of a leading international wood products manufacturer.

Chapter Three "Closer Examination of Economic, Social and Ecological impacts" Laurie Gravelines

Chapter Three is an examination of the economic, social and ecological impacts including a detailed assessment of the current wood supply in Eastern Ontario with a concentration on Stormont, Dundas & Glengarry. The lead and writer of this chapter is Laurie Gravelines, resource economist. Laurie Gravelines received his BA (Hons.) in economics from the University of Manitoba in 1973. He has held a variety of positions with the Manitoba and Ontario provincial governments, specializing in the economics of natural resource management. He is also the facilitator for the Social Science Committee of the Lake Abitibi Model Forest.



Chapter Four " Digitizing Stormont, Dundas, and Glengarry Forest Resource Inventory" Greg Moffatt and Mark Rowsell

Chapter Four is the creation of tools for modeling the effect of change, threats and opportunities; including but not limited to an updated forest resource inventory of the most affected area. Training will be provided for economic development officers and resource managers in the use of the Geographic Information System mapping for analysis and demonstration. The lead in this project is Mark Rowsell, geographer and manager of the EOMF Information and Mapping Service. Chapter Five was written by Greg Moffatt, forester with the EOMF. Dendron Resource Surveys Inc., Ottawa, was retained to complete the digitizing.

Chapter Five "Building the Case for Sustainable Management of Private Woodlots" Cher Brethour and Terri-lyn Moore

This chapter is building a case for sustainable woodlot management versus conversion to an agricultural use and the provision for continuity of the Private Wood Lot Program. The lead is Jim Hendry, Stewardship Coordinator for Stormont Dundas and Glengarry. The authors of the report are: Cher Brethour and Terri-lyn Moore of the George Morris Centre, 225-150 Research Lane, Guelph, Ontario, N1G 4T2 Telephone: 519-822-3929 ext 207 Contact email: cher@georgemorris.org.



EXECUTIVE SUMMARY

The bad news is: the suspension of the pulp mill operation will have a significant, negative, direct impact on the local economy. 2.7 % of jobs are lost - equivalent to an economic loss of \$83 million annually.

But the good news is: the potential of Eastern Ontario and Northern New York mixed wood forest - the largest such block in North America is notable: "that map is our wood basket and it is impressive. It is the only square with surplus wood in North America." states Wayne Young RFP, Domtar.

Opportunities are rapidly emerging

Bio-energy, chemicals, wooden items, foodstuffs and pharmaceuticals all are receiving attention.

In Eastern Ontario at least four clusters related to biomass are being contemplated; the fields are moving rapidly, the price of oil is on an upward trend, the United States is aggressively pursuing research, pilot projects, plantations and new technology.

An integrated biomass development plan is beginning to emerge in Eastern Ontario connecting the opportunities for bio products and bio-energy from forest and agricultural based biomass and the agricultural and municipal biomass waste streams.

Objectives for Stormont Dundas and Glengarry and Eastern Ontario

creation of stronger partnerships with neighbouring communities such as Renfrew, Leeds & Grenville, Prescott & Russell and Lanark counties and others in eastern and north eastern Ontario promotion of a greater role for Kemptville and Alfred Campuses of Guelph University and/or other institutions in integrated programs of applied science and research,

the training of loggers, woodlot owners, technicians and others that would work in the forest related businesses promotion of sustainability and marketability of wood based biomass through expansion of certification; 331 woodlots are certified now. Using the entire tree and creating demand where none existed can be achieved in a sustainable way. completion of the forest resource inventory for the entire county of SD&G in concert with a completed FRI for the rest of Eastern Ontario and ultimately southern Ontario the promotion of biomass economic development opportunities through the use of scientific innovation, understanding of benefits of carbon credits and construction trends and the training of economic development officers in this sector provision to woodlot owners: decision making support and tools in good, plain language; increased knowledge with programs, newsletters, the web and

Achievement

A task force or steering committee needs to identify the responsible bodies, timelines and resources needed. Strong leadership will be required, including but not limited to the SD&G Community Futures Business Development Corporation, SD&G Stewardship Council, the EOMF, government decision makers and the private sector.

This group could be responsible for seeking supporting resources and maintaining the momentum being generated by all of these ideas.



Key sustainability considerations

Forest Certification pioneered in Eastern Ontario by the EOMF was through the Forest Certification Council whose agent is Smart Wood. Certified wood was 58,000 m³ or 13% of Cornwall Mill's consumption.²

Very key point for landowners: maintaining the woodlot for timber production between the years 2005 and 2021 is the more economically viable use of the land.

Current FRI data for a 40 km radius around Cornwall is now complete and lodged with the EOMF.

If the volumes of ethanol produced by the bio-refinery were insufficient to support an economic scale generating plant, purpose grown biomass and other mill residues, (from a wood products manufacturing centre, for instance), as well as from other forest products producers in the region, could be used as co-fuel to support an economic scale generating plant.

Some Fundamental Evidence

The Cornwall mill required 425,000 cubic meters of wood per year; in the recent past Domtar obtained 69.3% from NY, 25.9% from Ontario and 4.8% from Québec.

In view of the developing demand-supply relationship in the regional wood market, it would be prudent to assume that wood prices will not decline and that volumes will be maintained.

The research results indicate that co-location of an ethanol plant with an existing

biomass power plant offers significant cost advantages.

We do not see fibre availability as an insurmountable barrier to development of one or more of these projects.

Buyers for ethanol, acetic acid and other derivative products can be readily identified within the north central region of North America.

These buyers are well within economic range for bulk truck or rail transport from a Cornwall/Eastern Ontario facility.

Markets for the electricity and wood products contemplated in the options and variations are known and well understood. Developing markets for these products is not anticipated to present unmanageable business risks to any of the component elements.

Urgency

Thus, there is some urgency and significant gains to be realized by moving forward quickly with the next stage of evaluation and pilot development of the bio-refinery concept and the development of other forest biomass based opportunities.

As well, because the bio-refinery concept is intended for installation in existing chemical pulp mills, these facilities are provided with potential for improved efficiencies, reduced fibre costs, and extended economic life. The result is continuing utilisation of existing infrastructure, and preservation of jobs, both in the mill and in the woodlands.

² Editor's note: in the Eastern Ontario Model Forest region (Lanark, Leeds & Grenville, Stormont, Dundas & Glengarry, City of Ottawa and Prescott and Russell) forest cover is 34%; 88% of that is owned by 8,000 owners and the forests are one-third conifer and two thirds deciduous.