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Parliamentary Standing Committee on International Trade

Topic: Canadian Forest Sector Trade with Japan

Thank you, Madam Chair and members of the committee, for the invitation today and the opportunity to discuss the status of — and a future look at — the Canadian forest sector's trade with Japan. I appreciate the opportunity to share the time with my colleagues, and a shout-out to our colleagues at the Chamber. We're a proud Chamber member and appreciate the work they do to facilitate a number of these trade missions. I'd also like to recognize the work of the Canada Wood Group, which is our sector's partner group under FPAC that leads our export market diversification work.

As the son and grandson of Ottawa Valley pulp and paper workers, and as the son-in-law of a former stationary engineer at the pulp mill in Smooth Rock Falls, Ontario, I'm really proud to work with our team to bring the voice of our sector and its employees and communities across its large value chain — from producers of lumber to panels, engineered wood, pulp and paper, and bioenergy.

It's an industry in Canada that creates nearly \$90 billion a year in economic activity, with \$37 billion in annual exports, putting it in the top four of Canada's exporting industries. Our current shipments to Japan are in the \$1 billion range.

In the face of combined softwood lumber duties and Section 232 tariffs currently in the 45% range, our sector's priority continues to be elimination of Section 232 tariffs and future risks thereof, and getting to a durable deal on softwood. At the same time, we're leaning into the domestic market opportunity for more wood use here at home, and into export market diversification. There are opportunities, but they are incremental relative to the nearly \$8 billion in annual softwood lumber shipments to the United States.

We've been trading in Japan — in Canadian forestry — for 100 years. The Canada Wood Group has been in place for 50 years, and over that time it's taken us that long to get to \$1 billion in business. It's a heavy lift, and I'm happy to talk about some of the details in a bit.

These are our priorities in Japan. First: defend and grow lumber share. And let's remember, Japan is not a natural build-with-wood culture — Canada has played a leading role in introducing and accelerating a wood-building culture into Japan. Our dimension lumber now holds 65% of Japan's 2x4 market, and continued technical engagement on Japanese market standards and the platform frame system is needed to hold and grow that share.

On mass timber and advanced wood building systems: what Canada can bring aligns with Japan's housing renewal, decarbonization, and seismic resilience priorities, and builds on Canada's federal-provincial reconstruction support after the 2011 Tohoku earthquake. And then in the forest bioeconomy, we see opportunity in biocarbon, biofuels, and biomass — areas that are also emerging Japanese priorities in the decarbonization space.

A few barriers to note. There's a shrinking Japanese market with growing Japanese supply — housing starts are declining with aging Japanese demographics, and Japanese-graded lumber is actually gaining share in the 2x4 segment. Europe and other competitors are scaling up; we're seeing aggressive market entry across lumber, pulp, and pellets from the EU into Japan. We're also seeing a tightening of standards and sustainability requirements — new Japanese sustainability and traceability rules require sustained technical engagement.

So it's not just about selling more wood to Japan. We've got to get in there, we've got to work on the codes and the systems, we've got to develop the market, and then we've got to demonstrate. It's really a three-step process.

And then there are supply-side pressures here at home: declining allowable cut, federal-provincial regulatory duplication, and rail and port reliability and the cost of the rail system in Canada.

So our asks and offers to meet the moment include: dedicated multi-year funding for the Canada Wood Group to build on its successes in export development; doubling the funding of NRCan's Global Forest Leadership Program; collaboration on investment in market-entry support, spec alignment tools, testing labs, and distributor networks in Japan — and there are also those opportunities in Korea as well; and continued trade missions to Japan. We just had one with the B.C. and Alberta governments back in November, specific to forestry.

So, a bit of a profile about us, our opportunities — and I thank you for your time and look forward to hearing from you.

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