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chapter A-18.1, r. 6

Regulation respecting the method for assessing the annual royalty and the method and frequency for assessing the market value of standing timber purchased by guarantee holders pursuant to their timber supply guarantee

Sustainable Forest Development Act
(chapter A-18.1, s. 126).

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1. For the purposes of this Regulation,

(1) "harvest year" means the period extending from 1 April to 31 March of the following year;

(1.0.1) "harvest year 1" means the harvest year preceding a harvest year;

(1.0.2) "harvest year 2" means the harvest year preceding harvest year 1;

(1.1) "merchantable timber" means all logs or parts of logs greater than 9 cm in diameter;

(2) *(paragraph revoked);*

(2.1) "special development plan" means a special development plan within the meaning of section 60 of the Sustainable Forest Development Act (chapter A-18.1);

(3) "billed volume of timber" means all merchantable timber from forests in the domain of the State that is billed to the holder of a timber supply guarantee by the timber marketing board, except timber acquired on the open market.

O.C. 167-2013, s. 1; O.C. 725-2016, s. 1; O.C. 168-2022, s. 1.

2. The adjusted average market value of standing timber per cubic metre, used to assess the annual royalty payable by the holder of a supply guarantee for a harvest year, is calculated using the following formula:

$A = D/E$, where

(1) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty;

(2) "D" is the sum of all products resulting from the operation $B \times C$, performed for each species or group of species on the basis of each different quality, forest tariffing zone and quarter concerned, where

(a) "B" is the unit rate for the market value of standing timber in harvest year 1 for a species or group of species of a given quality, forest tariffing zone and quarter;

(b) "C" is the volume of timber billed to a holder for harvest year 2 for that same species or group of species of that same quality, forest tariffing zone and quarter;

(3) "E" is the volume of timber billed to the holder pursuant to the holder's supply guarantee for harvest year 2.

Despite the first paragraph, when the volume of timber billed to a holder for harvest year 2 is less than 10% of the volume of timber specified in the holder's supply guarantee for the harvest year, the adjusted average market value of standing timber per cubic metre is calculated using the following formula:

$A = H/I$, where

(1) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty;

(2) "H" is the sum of all products resulting from the operation $F \times G$, performed for each species or group of species specified in the holder's supply guarantee, where

(a) "F" is the volume of timber specified in the holder's supply guarantee for a species or group of species;

(b) "G" is the adjusted average market value of standing timber per cubic metre for all holders using the unit rates for the market value of standing timber in harvest year 1 and the volume of timber billed for harvest year 2 for the same species or the same group of species;

(3) "I" is the volume of timber specified in the holder's supply guarantee.

For the purposes of the assessment of the adjusted average market value of standing timber per cubic metre provided for in the first or second paragraph, as the case may be, the volume is calculated using the data available on 31 December following the end of harvest year 2.

O.C. 167-2013, s. 2; O.C. 725-2016, s. 2; O.C. 168-2022, s. 2.

3. The annual royalty is assessed in the month of February preceding the start of the harvest year using the calculation in section 4 and adjusted thereafter, where applicable, as provided for in sections 4.0.1 to 4.0.14.

O.C. 167-2013, s. 3; O.C. 725-2016, s. 3; O.C. 168-2022, s. 2.

4. The annual royalty payable by the holder of a supply guarantee for a harvest year is calculated using the following formula:

$J = I \times (18\%\ A)$, where

(1) "J" is the annual royalty payable for the harvest year in accordance with the volume of timber specified in the holder's supply guarantee;

(2) "I" is the volume of timber specified in the holder's supply guarantee;

(3) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2.

O.C. 167-2013, s. 4; O.C. 725-2016, s. 3; O.C. 168-2022, s. 2.

4.0.1. To assess the amount payable by the holder of a supply guarantee for the first instalment of the annual royalty, pursuant to section 1 of the Regulation respecting the terms of payment of the annual royalty and timber purchased by guarantee holders pursuant to their timber supply guarantee (chapter A-18.1, r. 6.1), an adjusted annual royalty for the calculation of the first instalment must first be calculated using the following formula:

$L = ((I - M - N) \times (18\%\ A))$, where

(1) "L" is the adjusted annual royalty for the calculation of the first instalment;

(2) "I" is the volume of timber specified in the holder's supply guarantee;

(3) "M" is the volume of timber, not covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(4) "N" is the volume of timber, covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(5) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2.

O.C. 168-2022, s. 2.

4.0.2.   The amount payable by the holder of a timber supply guarantee as the first instalment of the annual royalty is calculated using the following formula:

K = 50% L, where

(1)   "K" is the amount payable as the first instalment of the annual royalty;

(2)   "L" is the adjusted annual royalty for the calculation of the first instalment, calculated in accordance with section 4.0.1.

Despite the first paragraph, if the adjusted annual royalty for the calculation of the first instalment, calculated in accordance with section 4.0.1, is less than 50% of the result obtained by performing the same calculation as the calculation provided for in section 4, but by first subtracting, where applicable, the volume of timber represented by the letter "N" from the volume of timber represented by the letter "I", the amount payable as the first instalment of the annual royalty is calculated using the following formula:

K = 25% ((I – N) × (18% A)), where

(1)   "K" is the amount payable as the first instalment of the annual royalty;

(2)   "I" is the volume of timber specified in the holder's timber supply guarantee;

(3)   "N" is the volume of timber, covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(4)   "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2.

O.C. 168-2022, s. 2.

4.0.3.   To assess the amount payable by the holder of a timber supply guarantee as the second instalment of the annual royalty, pursuant to section 1 of the Regulation respecting the terms of payment of the annual royalty and timber purchased by guarantee holders pursuant to their timber supply guarantee (chapter A-18.1, r. 6.1), an adjusted annual royalty for the calculation of the second instalment must first be calculated using the following formula:

P = (I – M – 50% Q – N – R) × (18% A), where

(1)   "P" is the adjusted annual royalty for the calculation of the second instalment;

(2)   "I" is the volume of timber specified in the holder's timber supply guarantee;

(3)   "M" is the volume of timber, not covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(4)   "Q" is the volume of timber, not covered by a special development plan, that the holder waived after the time the sales contract was made for the standing timber purchased pursuant to the holder's timber supply guarantee, but not later than 15 August of the harvest year;

(5)   "N" is the volume of timber, covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(6) "R" is the volume of timber, covered by a special development plan, that the holder waived after the time the sales contract was made for the standing timber purchased pursuant to the holder's timber supply guarantee, but not later than 15 August of the harvest year;

(7) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2.

O.C. 168-2022, s. 2.

4.0.4. The amount payable by the holder of a timber supply guarantee as the second instalment of the annual royalty is calculated using the following formula:

$O = P - K$, where

(1) "O" is the amount payable as the second instalment of the annual royalty;

(2) "P" is the adjusted annual royalty for the calculation of the second instalment, calculated in accordance with section 4.0.3;

(3) "K" is the amount payable as the first instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.2.

Despite the first paragraph, if the adjusted annual royalty for the calculation of the second instalment, calculated in accordance with section 4.0.3, is less than 50% of the result obtained by performing the same calculation as the calculation provided for in section 4, but by first subtracting, where applicable, the volumes of timber represented by the letters "N" and "R" from the volume of timber represented by the letter "I", the amount payable as the second instalment of the annual royalty is calculated using the following formula:

$O = (50\% ((I - N - R) \times (18\% A)) - K$, where

(1) "O" is the amount payable as the second instalment of the annual royalty;

(2) "I" is the volume of timber specified in the holder's timber supply guarantee;

(3) "N" is the volume of timber, covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(4) "R" is the volume of timber, covered by a special development plan, that the holder waived after the time the sales contract was made for the standing timber purchased pursuant to the holder's timber supply guarantee, but not later than 15 August of the harvest year;

(5) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2;

(6) "K" is the amount payable as the first instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.2.

O.C. 168-2022, s. 2.

4.0.5. At the end of the harvest year, an adjusted annual royalty for the calculation of the end-of-year reimbursement must first be calculated using the following formula:

$U = (I - N - R - T) \times (18\% A)$, where

(1) "U" is the adjusted annual royalty for the calculation of the end-of-year reimbursement;

(2) "I" is the volume of timber specified in the holder's timber supply guarantee;

(3) "N" is the volume of timber, covered by a special development plan, that the holder has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee;

(4) "R" is the volume of timber, covered by a special development plan, that the holder waived after the time the sales contract was made for the standing timber purchased pursuant to the holder's timber supply guarantee, but not later than 15 August of the harvest year;

(5) "T" is the volume of timber, covered by a special development plan, that the holder waived between 16 August and 31 March in the harvest year;

(6) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2.

O.C. 168-2022, s. 2.

4.0.6. At the end of the harvest year, the holder of a timber supply guarantee is entitled, with respect to the volume of timber covered by a special development plan that the holder waived between 16 August and 31 March of the harvest year, to the reimbursement of a portion of the amounts paid as an annual royalty, calculated using the following formula:

$S = (18\% \ A) \times T$, where

(1) "S" is the amount of the reimbursement of the annual royalty to which the holder is entitled at the end of the harvest year after waiving a volume of timber covered by a special development plan between 16 August and 31 March in the harvest year;

(2) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2;

(3) "T" is the volume of timber, covered by a special development plan, that the holder waived between 16 August and 31 March in the harvest year.

Despite the first paragraph, if the difference between the adjusted annual royalty for the calculation of the second instalment, calculated in accordance with section 4.0.3, and the amount of the reimbursement calculated in accordance with the first paragraph, is less than 50% of the adjusted annual royalty for the calculation of the end-of-year reimbursement, calculated in accordance with section 4.0.5, the amount of the reimbursement to which the holder is entitled is calculated using the following formula:

$S = (K + O) - (50\% \ U)$, where

(1) "S" is the amount of the reimbursement of the annual royalty to which the holder is entitled at the end of the harvest year after waiving a volume of timber covered by a special development plan between 16 August and 31 March in the harvest year;

(2) "K" is the amount payable as the first instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.2;

(3) "O" is the amount payable as the second instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.4;

(4) "U" is the adjusted annual royalty for the calculation of the end-of-year reimbursement, calculated in accordance with section 4.0.5.

O.C. 168-2022, s. 2.

4.0.7.   Subject to section 4.0.14, the holder of a timber supply guarantee is entitled, on 31 December of the year following the harvest year, to the reimbursement of a portion of the amounts paid as an annual royalty if

(1)   the holder has a timber supply guarantee for species or groups of species identified as minor or under-represented species or groups of species and has not harvested, for the harvest year, the entire volume of those species or groups of species to which the holder was entitled under the holder's sales contract for standing timber purchased pursuant to the holder's timber supply guarantee;

(2)   the holder operates a rotary-cutting enterprise within the meaning of the timber supply guarantee and has not harvested, for the harvest year, the entire volume of the species or groups of species of hardwoods to which the holder was entitled under the holder's sales contract for standing timber purchased pursuant to the holder's timber supply guarantee.

O.C. 168-2022, s. 2.

4.0.8.   Subject to section 4.0.14, the holder of a timber supply guarantee is entitled, on 31 December of the year following the harvest year, to the reimbursement of a portion of the amounts paid as an annual royalty if the holder has not harvested the aggregate of the volume of timber due to harvest coordination problems caused by another timber supply guarantee holder that ceased activities for a period of more than 3 consecutive months during the harvest year and that, when it ceased its activities,

(1)   held a timber supply guarantee for the same region of application as the holder's timber supply guarantee;

(2)   operated a wood processing plant that had been operating for more than 18 consecutive months prior to the cessation of activities.

To benefit from the reimbursement, the holder must file an application, in writing, with the timber marketing board not later than 31 December of the year following the harvest year.

O.C. 168-2022, s. 2.

4.0.9.   No holder may, for a given volume of timber specified in the holder's timber supply guarantee, benefit from more than one of the reimbursements provided for in sections 4.0.7 and 4.0.8 for the harvest year.

O.C. 168-2022, s. 2.

4.0.10.   The amount of the reimbursement for minor or under-represented species or groups of species is calculated using the following formula:

$V = (18\% \ A) \times W$, where

(1)   "V" is the amount of the reimbursement associated with minor or under-represented species or groups of species;

(2)   "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2;

(3)   "W" is the volume of timber belonging to minor or under-represented species or groups of species that the holder has not waived and for which the holder was not billed for the harvest year.

O.C. 168-2022, s. 2.

4.0.11.   The amount of the reimbursement for hardwood species or groups of species to a rotary-cutting enterprise operated by a holder is calculated using the following formula:

$X = (18\% \text{ A}) \times Y$, where

    (1) "X" is the amount of the reimbursement associated with the hardwood species or groups of species of a rotary-cutting enterprise;

    (2) "A" is the adjusted average market value of standing timber used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2;

    (3) "Y" is the volume of timber belonging to hardwood species or groups of species of the rotary-cutting enterprise operated by the holder, that the holder has not waived and for which the holder was not billed for the harvest year.

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O.C. 168-2022, s. 2.

4.0.12. The amount of the reimbursement relating to the cessation of operations at a wood processing plant is calculated using the following formula:

$Z = (18\% \text{ A}) \times AA$, where

    (1) "Z" is the amount of the reimbursement relating to the cessation of activities at a plant;

    (2) "A" is the adjusted average market value of standing timber per cubic metre used to calculate the annual royalty, calculated in accordance with the first or second paragraph of section 2;

    (3) "AA" is the sum of the unbilled volumes of timber identified for each region of application of the holder's timber supply guarantee, calculated in accordance with the third or fourth paragraph.

The unbilled volume of timber identified for a region of application of the timber supply guarantee, required for the calculation provided for in the first paragraph, is the lesser of the maximum volume of timber that may be used for reimbursement for that region of application, calculated in accordance with the third paragraph, and the volume of timber not billed to a holder for that region of application, calculated as provided for in the fourth paragraph.

The maximum volume of timber that may be used for reimbursement for a region of application is calculated using the following formula:

$BB = (CC - DD) \times (EE/FF)$, where

    (1) "BB" is the maximum volume of timber that may be used for the reimbursement for a region of application;

    (2) "CC" is the volume of timber specified in the timber supply guarantee of the holder entitled to the reimbursement during the harvest year for a region of application of the holder's timber supply guarantee;

    (3) "DD" is the volume of timber, covered by a special development plan, which the holder entitled to a reimbursement has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee and the volumes waived by the holder after that time, but not later than 31 March of the harvest year for a region of application;

    (4) "EE" is the volume of timber specified in the timber supply guarantee of a holder that operated the plant that ceased operations in the same region of application as that of the timber supply guarantee of the holder entitled to the reimbursement;

    (5) "FF" is the sum of all the volumes of timber specified in all the timber supply guarantees of all the holders in the same region of application as that of the timber supply guarantee of the holder entitled to the reimbursement.

The volume of timber not billed to a holder for a region of application is calculated using the following formula:

GG = CC – DD – HH – II, where

(1) "GG" is the volume of timber not billed to the holder during the harvest year for a region of application of the holder's timber supply guarantee;

(2) "CC" is the volume of timber specified in the timber supply guarantee of the holder entitled to a reimbursement during the harvest year for a region of application of the holder's timber supply guarantee;

(3) "DD" is the volume of timber, covered by a special development plan, which the holder entitled to a reimbursement has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee and the volumes waived by the holder after that time, but not later than 31 March of the harvest year for a region of application of the holder's timber supply guarantee;

(4) "HH" is the volume of timber, not covered by a special development plan, which the holder entitled to a reimbursement has waived or is deemed to have waived at the time the sales contract is made for the standing timber purchased pursuant to the holder's timber supply guarantee and the volume waived by the holder after that time, but not later than 15 August of the harvest year for a region of application of the holder's timber supply guarantee;

(5) "II" is the volume of timber billed to the holder for the harvest year for a region of application of the holder's timber supply guarantee.

O.C. 168-2022, s. 2.

4.0.13. The volumes required to calculate the reimbursements provided for in sections 4.0.10 to 4.0.12 are assessed using the data available on 31 December following the harvest year.

O.C. 168-2022, s. 2.

4.0.14. The maximum amount of the reimbursement to which the holder of a timber supply guarantee is entitled on 31 December of the year following the harvest year is calculated using the following formula:

JJ = V + X + Z, where

(1) "JJ" is the maximum amount of the reimbursement to which the holder is entitled on 31 December of the year following the harvest year;

(2) "V" is the amount of the reimbursement associated with minor or under-represented species or groups of species, calculated using the method in section 4.0.10;

(3) "X" is the amount of the reimbursement associated with the hardwood species or groups of species of a rotary-cutting enterprise, calculated using the method in section 4.0.11;

(4) "Z" is the amount of the reimbursement associated with the cessation of operations at a plan, calculated using the method in section 4.0.12.

Despite any other provision, if the total of the 2 first instalments of the annual royalty payable by the holder without the amounts of the reimbursements calculated in accordance with the first paragraph and section 4.0.6 is less than 50% of the adjusted annual royalty for the calculation of the end-of-year reimbursement, calculated in accordance with section 4.0.5, the maximum amount to which the holder is entitled as a reimbursement on 31 December of the year following the harvest year is calculated using the following formula:

JJ = (K + O – S) – (50% U), where

    (1) "JJ" is the maximum amount of the reimbursement to which the holder is entitled on 31 December of the year following the harvest year;

    (2) "K" is the amount payable as the first instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.2;

    (3) "O" is the amount payable as the second instalment of the annual royalty, calculated in accordance with the first or second paragraph of section 4.0.4;

    (4) "S" is the amount of the reimbursement of the annual royalty to which the holder is entitled at the end of the harvest year after waiving a volume of timber covered by a special development plan between 16 August and 31 March in the harvest year, calculated in accordance with the first or second paragraph of section 4.0.6;

    (5) "U" is the adjusted annual royalty for the calculation of the end-of-year reimbursement, calculated in accordance with section 4.0.5.

O.C. 168-2022, s. 2.

4.1. If the Minister cancels a timber supply guarantee pursuant to subparagraph 3 of the first paragraph of section 109 of the Sustainable Forest Development Act (chapter A-18.1), or terminates a timber supply guarantee pursuant to paragraph 1 of section 112 of that Act and, following the cancellation, the sales contract for the standing timber purchased pursuant to that guarantee is cancelled, the Minister is to reimburse the holder of the cancelled guarantee for the portion of the annual royalty corresponding to the volume of timber remaining harvestable by the holder before cancellation of the standing timber sales contract.

A holder granted a timber supply guarantee by the Minister in the course of the harvest year must pay, for that year, an annual royalty corresponding to the proportion of the volumes of timber the holder could purchase before the end of the harvest year. In addition, if the plant for which the guarantee is granted was or had already been operated under a guarantee and the guarantee was cancelled within 12 months of the date on which the guarantee granted took effect, the rate of the annual royalty to be paid by such a holder is the rate that applied to the holder of the cancelled guarantee at the time of the cancellation.

O.C. 725-2016, s. 3.

5. The market value of standing timber purchased pursuant to a timber supply guarantee is assessed on 1 April of each year according to the parity technique applicable in property assessment by comparing the timber to similar timber for which the selling price is known. The value is expressed in Canadian dollars per cubic metre.

The unit rates obtained on the basis of that assessment are adjusted every 3 months according to the rate of increase in forest product price indexes.

O.C. 167-2013, s. 5.

6. *(Omitted).*

O.C. 167-2013, s. 6.

UPDATES
O.C. 167-2013, 2013 G.O. 2, 620
O.C. 725-2016, 2016 G.O. 2, 3203
O.C. 168-2022, 2022 G.O. 2, 544