



November 15, 2013

Water Sustainability Act
Ministry of the Environment
Water Protection and Sustainability Branch
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Subject: Proposed Water Sustainability Act

Dear Minister Pollack:

I am writing in follow-up to the province's proposed Water Sustainability Act and the Legislative Proposal released in October 2013. We have reviewed the document and had the opportunity to hear your representatives through the BC Business Council and the BC Pulp and Paper Environmental forum.

Catalyst Paper manufactures diverse specialty mechanical printing papers, newsprint and pulp. Its customers include retailers, publishers and commercial printers in North America, Latin America, the Pacific Rim and Europe. With three mills, all located in British Columbia, Catalyst has a combined annual production capacity of 1.5 million tonnes. The company is headquartered in Richmond, British Columbia, Canada and is ranked by Corporate Knights magazine as one of the 50 Best Corporate Citizens in Canada.

Catalyst Paper generates over 7,000 direct and indirect jobs in BC. The entire BC mining industry generates \$10 billion in annual BC economic impact. BC film and television production generates \$1.6 billion. Catalyst Paper, just one company, generates almost \$2 billion in annual BC economic impact, comprising one per cent of BC Gross Domestic Product.

We raise these points because in BC today we have a government that has been clear in its commitment to preserve and create jobs and to expand the BC economy. That commitment resonates for Catalyst Paper as we intensify our efforts to identify and link communities that are home to more than 5,500 indirect jobs and the almost \$2 billion in economic benefit that Catalyst generates.

We believe this extended community, and the jobs that link it in a value chain associated with our manufacturing operation, makes considerations and consultations around the Water Sustainability Act more important than ever. Catalyst has a number of concerns on the legislative proposal which are outlined below.

Water Costs (page 72)

We are aware that specific discussions on water pricing and fees are scheduled for January 2014 and we are providing background now on this critically important matter. BC's pulp and paper sector is a large user of fresh water and mills typically consume about 75 m³ of water per tonne of manufactured product. In 2012, Catalyst used approximately 160 million m³ of water in the

production of our pulp and paper products. The nature of our processes, however, means we return approximately all of the water to the sources from which we drew it. Our net usage is therefore far lower than the consumption figure cited though this is not recognized under the current permits and legislation and our exposure to water costs is significant.

Further, our sector sells its core products into very competitive global markets marked by persistent supply demand imbalance and that have been in overall decline. This means any cost increases cannot be passed through to customers. Catalyst completed a financial restructuring, under creditor protection in 2012, and is in no position to absorb increased operational costs due to water pricing changes. We bring this to the Ministry's attention to ensure due consideration is given to the impact of changes to water pricing on the economic viability of continued well-paying, high-skill employment in the value-added forest products manufacturing sector.

Measure and Reporting (page 61)

We note that water users beyond 250 m³ per day are to report water consumption and other potential water related metrics at specific frequencies and accuracies not yet defined. Our water consumption is often carried out through complex pump stations, dams, and pre-treatment devices before use at the actual mill. We hope to work constructively with regulators to design accurate measurement approaches that are both economic and flexible. In many cases, mills already have measurement of water consumption either during river or lake extraction or during return as treated wastewater. We expect this existing infrastructure will be tapped into to avoid potential new high cost flow measurement.

Water Surety for Existing Licenses (page 17)

Water surety for existing water license holders is a critical piece of the proposal. We have established major operations at three key locations in BC due to their proximity and supply of fresh water. As such, Catalyst fully supports the inclusion of first-in-time-first-in-right (FITFIR) approach to water allocation under existing license scenarios. Further, we agree that environmental flow need assessments should not apply to existing licences.

Water Surety during Scarcity (page 47 and 28)

The implications of climate change have already been experienced by Catalyst at one of its paper facilities and, as such, we are acutely aware of conflict during times of water scarcity. We recognise that during times of acute scarcity that the regulator may be forced to impose temporary conditions on all users. We expect that the FITFIR allocations would continue to be considered during this decision process.

We also note that the diagram on page 49 is not particularly specific in terms of timelines and triggers of each of the proposed actions as a response to a drought condition. It is clear that the use of water objectives or area based regulations, or government imposed water sustainability planning (WSP) may be triggered. However, it is not clear how and at what stage these ever more stringent solutions would be implemented. It is possible that, without proper control and guidance, a rogue WSP could expropriate water rights despite a licensee's FITFIR priority if it's viewed in the best interests of the committee creating the WSP. Consideration should be given to an appeal process of the outcome of the WSP process if the conflict resolution process is not successful.

Area Based Solutions and Management (page 58)

Catalyst supports the notion of area based solutions like objectives, regulations and sustainability planning which could tailor the WSA to better suit the needs of key areas of BC which are struggling with water specific issues. However, we would expect such approaches to maintain

certain minimum standards of practise which are established by government otherwise regions with special water privileges could develop in response to water pressures.

Range of Governance Approaches (page 63)

We agree with the notion of some limited flexibility in governance approaches but are nervous that the “delegation and/or sharing of responsibility and accountability for decisions” creates lack of certainty and consistency in approach. We believe that ultimately a single body must be responsible for all decisions made under the WSA. Further, we note that there has been discussion about capacity building as it relates to delegation of decisions. Funding of that required capacity will inevitably come from the water license holders effectively increasing their rates.

If you have any questions, please do not hesitate to contact me directly. We look forward to further discussion on this issue.

Sincerely,



Lyn Brown
Vice President, Marketing &
Corporate Responsibility

Catalyst Paper Corporation

Catalyst Paper is a globally recognized BC manufacturing and exporting company that generates over 7,000 direct and indirect jobs in British Columbia and almost \$2 billion in annual BC economic impact. Catalyst is an important component in provincial employment and economic health, and it is a valuable contributor to jobs and economic health in Richmond.

Indeed, the paper mills in Port Alberni, Crofton, and Powell River, along with Catalyst’s Surrey Distribution Centre, are the core operations of Catalyst Paper. Enterprise support and services are provided from the Nanaimo Administrative Office with strategic direction and governance from Catalyst’s Richmond head office. In addition to this impact in Richmond, we have determined that Richmond is one of the 25 BC municipalities from whose businesses Catalyst purchases goods and services in amounts ranging from \$1 million to \$100 million every year. In Richmond, Catalyst suppliers include:

All of British Columbia is connected to Catalyst’s ongoing viability and success and we are responding to this call for feedback on the province’s proposed Water Sustainability Act and the Legislative proposal released in October 2013 to ensure discussions and decisions reflect the importance of Catalyst’s mills and operations to BC’s exports, and to so many BC communities.