

# MADISON'S LUMBER REPORTER

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Annual Subscription Prices  
E-mail/Fax: C\$364  
Discounts available for multiple  
subscriptions  
Published 50 times a year

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PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

In Canada, add 5% GST  
ISSN 0715-5468  
Printed in Canada © 2008

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## News & Updates

### Canfor Pulp Signs Forest Carbon Offset Deal

Canfor Pulp Limited Partnership has signed a letter of intent with Pacific Carbon Trust for a multi-year deal to sell carbon offsets related to emission reductions at the Northwood pulp mill in Prince George, BC. The emission reduction project will generate up to 80,000 tonnes in CO2 reductions, announced PCT CEO Scott MacDonald.

Located at the Northwood Pulp Mill in Prince George, the aggregated emission-reduction project has three component sub-projects. One is the installation of a side stream scrubber which allows the mill to achieve higher biomass-fuel-burn rates, supporting a reduction in the burning of natural gas. Also, equipment improvements to the biomass delivery systems will reduce the need to supplement the fuel supply with natural gas, resulting in reduced greenhouse-gas emissions.

Under the agreement, Pacific Carbon Trust will purchase all third-party-verified offsets originating from the project from 2010 to 2012, with future purchases dependent on the parameters of any cap and trade systems developed at the regional or national levels.

### US Coalition for Fair Lumber Imports Presses for Full Compliance

On June 1, British Columbia began to implement changes to its pricing system for public timber. The price of many BC Interior timber stands sold will be based solely on the volume and quality of timber estimated by a 'cruise' of the standing timber before harvest.

Until now, the BC government has required harvesters to 'scale' or measure and grade timber after harvest in order to determine the payment due. More changes are scheduled to take effect on July 1.

[READ MORE](#)

### BC Investing \$9.2 million to Promote Sales of Forest Products in Major Markets

The funding includes \$8.3 million for market development in key Asia Pacific countries including China, Japan and Korea, and maintaining markets in Europe and North America. In addition, \$900,000 is targetted to the Business Innovation Program, which provides business development services to the value-added sector.

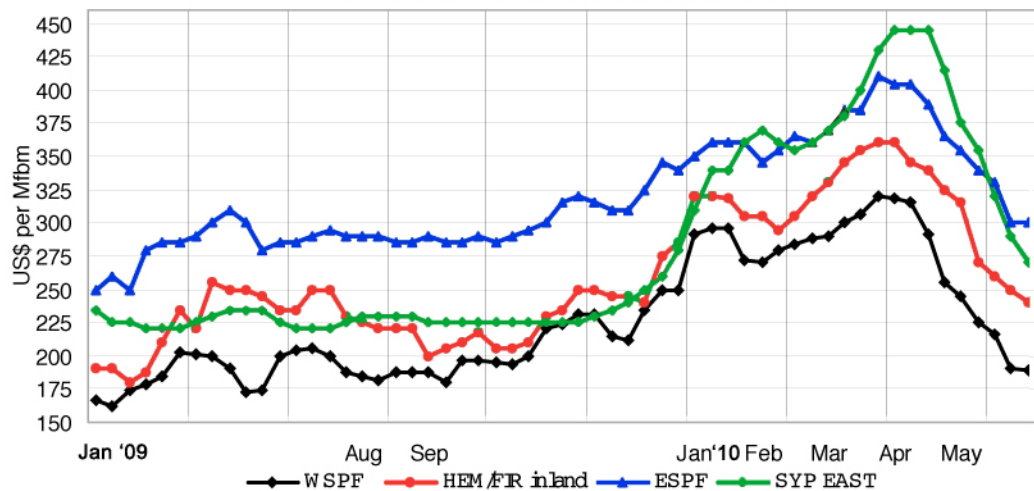
[READ MORE](#)

### Green Energy from Forest Biomass

After almost two years of negotiations and planning, Vancouver, BC's, Nexterra Energy Inc. announced Wednesday that the Catawba County, North Carolina, Board of Commissioners voted to proceed with a new biomass-fuelled combined heat and power system developed by Nexterra in conjunction with GE Power & Water's gas engine division. Combined with February's go-ahead for a unique, on-site biomass-fuelled combined heat and power solution at the University of British Columbia, Nexterra now has two examples of gasification and steam production from wood residue ready for construction.

[READ MORE](#)

KEY 2x4 KD R/L PRICES June 2009 - 2010



Prices are in U.S. dollars per 1,000 fbm.

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	189	190	-1	245	-56	201	-12
WSPF KD R/L 2x6	191	195	-4	245	-54	206	-15
WSPF KD R/L 2x8	208	200	+8	245	-37	220	-12
WSPF KD R/L 2x10	240	245	-5	285	-45	285	-45
WSPF KD PET 2x4 Stud	200	210	-10	265	-65	210	-10
Douglas Fir Green R/L 2x4	200	210	-10	235	-35	190	+10
Douglas Fir Green R/L 2x10	270	255	+15	280	-10	240	+30
ESPF KD 2x4 8ft Stud	300	310	-10	260	-60	280	+20
OSB Ontario 7/16" (CDN\$)	230	250	-20	405	-175	205	+25

Celebrating our 60th year, a Diamond Anniversary . . . .  
**Madison's Lumber RETROspective**  
 see additional pages in your weekly Madison's Reporter!

## Weekly News

### US Coalition Complaint

CONTINUED According to BC government statistics, over the last two years more than 40 per cent of the BC Interior timber harvest has been graded 'lumber reject' and therefore is eligible for the minimum stumpage rate of \$0.25/m<sup>3</sup>.

However, most of this timber is in fact used to make lumber – meaning that BC is failing to properly implement the timber pricing system grandfathered in the 2006 Softwood Lumber Agreement, according to the US Coalition.

David Yocis, outside counsel for the Coalition, explained to *Madison's* in a phone interview, "We have seen an increase in grade 4 logs in the past two years. 60 per cent of lodgepole pine in BC is now selling for 25 cents per cubic metre. This move to a system based on lump sum is meant to be revenue neutral,

which simply locks in this level of grade 4 for the foreseeable future. The 25 cent stumpage will effectively become permanent in BC."

"We don't think the amount of timber sold at 25 cents now is justified based on the rules in place in 2006 when the SLA was signed," said Yocis.

### Funding for Value Added Wood Products

CONTINUED Internationally, BC wood is marketed as high quality from sustainably managed forests, while BC's advanced wood technology is positioned as providing innovative solutions to residential, commercial and public building design and construction.

Funds are being distributed through Forestry Innovation Investment (FII), the provincial Crown agency responsible for

developing and diversifying markets for British Columbia forest products. Industry and the federal Canada Wood Export Program will add another \$16.2 million to the marketing program, for a total marketing effort of \$25.4 million.

Recipients of the largest portions of funding are the Canada Wood Group with \$4.1 million, and the Western Red Cedar Lumber Association with \$1.27 million.

Other recipients include:  
 Business Innovation Partnership - \$900,000  
 Wood Products Council - \$713,000  
 BC Wood Specialties Group - \$698,000  
 Council of Forest Industries - \$516,000  
 Wood WORKS! BC - \$400,000  
 Coast Forest Products Association - \$277,000  
 Western Red Cedar Export Association - \$263,000, plus more.

### Madison's Tree of Products

Your information tool kit for business and investment  
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BREAKING NEWS ON CANADA'S LARGE VOLUME MILLS, OPERATING STATUS UPDATED MONTHLY!

**MADISON'S**  
 MILL WATCH

### Calendar

September 2010

**AFPA 68th AGM and Conference**  
 September 22 to 24 – Jasper, AB  
<http://www.albertaforestproducts.ca/home/default.aspx>

**2010 CIF-IFC AGM and Conference**  
 September, 26 to 29 – Jasper, AB  
<http://foothillsresearchinstitute.ca/pages/home/cif2010jasper.aspx>

October 2010

**2010 NHLA Annual Convention and Exhibit**  
 October 13 to 16 – Vancouver, BC  
<http://www.nhlaconvention.com/>

# Biomass Fuel

## Green Energy

CONTINUED

For the Catawba application, wood residue will generate both electricity and steam; the wood-fired gasifier and steam production plant is expected to produce 3 megawatt hours of electricity and 15,000 pounds of steam per hour gross. A natural gas fired boiler, with similar steam output, will serve as a backup to the main wood-fired steam production plant. Micro-turbines will use heat to dry waste water sludge for 12 hours, then to generate electricity for the rest of a day.

The combined process will produce 2 megawatts of clean, cost-effective green electricity for sale to a local utility. Waste heat from the engines will be used to dry biosolids produced at a new waste water treatment facility. This unique bioenergy system will be the first of its kind in the United States.

Barry Edwards, Director of Utilities and Engineering for Catawba County, explained to *Madison's* in a phone interview, "The process will remove pathogens from the waste water sludge, which will then be mixed with leaves and compost. This is a long term solution for the waste stream, a way of turning the waste stream into an ecology stream. Our goal was the optimize the process, to make use of all the waste."

The fascinating aspect of the Catawba Ecocomplex project is the "marriage", as Edwards calls it, of the energy generated by wood residue and the waste water sludge management. "If we weren't drying the sludge, if we were just producing energy, the electricity alone might not make enough money for the project to be viable. [ . . . ] As a government we are not motivated by profit. We were able to elongate the payback period, the project will pay for itself and will service the debt incurred during construction within 15 years. We were looking for a 5 per cent return, but will be getting a 7 per cent return per year."

The scope of the beetle-kill in BC is never far from *Madison's* mind when discussing biomass fuel. "When proposing a system such as ours, there is a need to educate political bodies

about cost avoidance, the value stream, the connectors involved, who wins, and so on, even if it costs some money. [ . . . ] It requires some analysis to determine what the value is, for example the costs of collection, as opposed to the risk factor in terms of fire hazard or other problems that could result from biomass littering the forest floor post-beetle infestation," Edwards explained.

"We are creating a new paradigm in waste management through an industrial ecology application, using symbiosis. That combination was needed to make the project economically feasible. We have a tendency to be single-minded; we used partnerships to make this work."

Catawba County already had a municipal program in place to collect wood residue, which will provide the Ecocomplex with 15,000 tons of green wood waste annually. A partnership with Gregory Wood Products, a high-tech dimension lumber facility, and Pallet One, Inc., the US's largest new pallet manufacturer, will provide 50,000 tons of KD wood residue. From gasifying approximately 2.34 tons wood-waste per hour the Nexterra Gasification System will produce approximately 2 M We hourly and approximately an additional 0.5 MWe hourly from 2 or 3 micro steam turbines. The county anticipates it will generate approximately \$2,500,000 annually in electric sales and credits.

"We have US\$1.5 million in grinders of various kinds of break down recycled pallets, furniture residue, leftover building materials, fall-down at the mill, etc. to use as feedstock for Nexterra's gasification process," said Edwards.

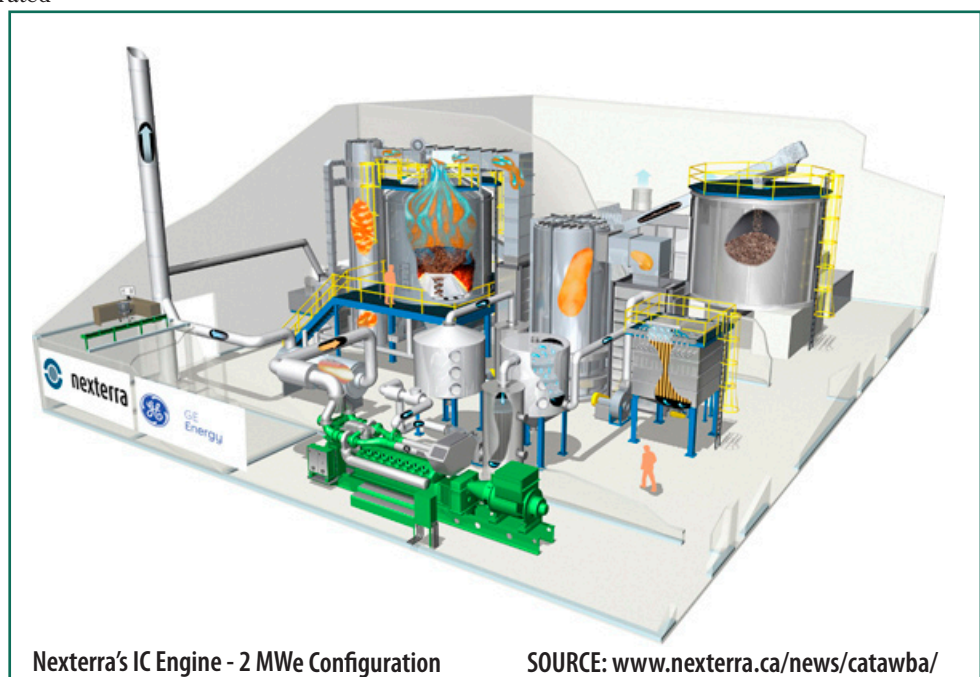
The Catawba County Ecocomplex expanded its existing partnerships to include Nexterra and GE Energy to create a system that will be selling power back to Duke Energy, the local power utility.

"Everyone was just waiting for someone to actually do it," said Edwards of the biomass energy project.

That sentiment has not escaped the notice of *Madison's*. There is a palpable 'wait and see until someone does it first' attitude among BC's forest products companies.

"Catawba County is a great example of how the Nexterra/GE CHP solution can help local governments achieve their energy and sustainability goals," said Jonathan Rhone, President and CEO of Nexterra, in a company press release. "For Catawba, green energy is an economic development priority. The County has access to its own supply of wood fuel and already produces electricity using gas engines. We look forward to working with Catawba to demonstrate this new standard of small scale distributed biomass power generation."

In an email to *Madison's*, Rhone explained further, "We believe that mill operations throughout the forest products industry could benefit from the new Nexterra/GE CHP system. As a new standard of high efficiency, no steam cycle and ultra low emissions, it will reduce costs and generate new sources of revenue for customers in the forest products industry. With new projects at the University of BC and Catawba County, North Carolina, we expect to see significant interest from customers in this market."



Nexterra's IC Engine - 2 MWe Configuration

SOURCE: [www.nexterra.ca/news/catawba/](http://www.nexterra.ca/news/catawba/)