

SOFTWOOD LUMBER EXPORTS TO THE UNITED STATES - PERMIT REQUIREMENTS

Annex 4

Major Provisions of the Softwood Lumber Agreement 2006

Export Measures:

Canadian softwood lumber exporters will pay an export charge when the price of lumber is at or below US\$355 per thousand board feet (MBF), as determined by the Random Lengths Framing Composite lumber price.

Prior to October 1, 2006, the federal government will take advice from Canadian regions (Alberta, the BC Interior, the BC Coast, Manitoba, Ontario, Saskatchewan, and Quebec) on which of the following two export charge regimes best serves the interests of their exporters for periods of three years:

- Option A: an export charge with the charge varying on price, to be implemented on October 1, 2006, or;
- Option B: an export charge plus volume restraint, where both the rate and volume restraint vary with the price, to be implemented on January 1, 2007:

Prevailing Monthly Price	Option A – Export Charge (%)	Option B – Export Charge (%) with Volume Restraint
Over \$US 355	No export charge	No export charge and no volume restraint
\$US 336-355	5%	2.5% export charge + maximum volume that can be shipped cannot exceed a Region's share of 34% of expected U.S. Consumption
\$US 316-335	10%	3% export charge + maximum volume that can be shipped cannot exceed the Region's share of 32% of expected U.S. Consumption
\$US 315 or under	15%	5% export charge + maximum volume that can be shipped cannot exceed the Region's share of 30% of expected U.S. Consumption

Exporters of softwood lumber first manufactured in a region that initially selects Option B will be governed by Option A from October 1, 2006 until such time as Canada implements Option B (January 1, 2007). Exporters of softwood lumber first manufactured in such a region will be entitled to a partial refund of export charges paid if, in any month during this transition period, the Region exports no more than what its volume restraint would have been had it been governed by Option B. The refund amount will be the difference between what the company paid in export charges for that month, and what it would have paid for that month had the Region been governed by Option B. Refunds will be administered by the Canada Revenue Agency, as part of its export charge collection program.

Third Country Adjustment Mechanism:

The Government of Canada will refund export charges (up to the equivalent of a 5% charge) collected in two subsequent quarters in which the following three conditions apply:

- the third country share of U.S. lumber consumption increases by 20% over the same quarter in the previous year (in two consecutive quarters);
- Canadian market share is decreasing in the same two quarters; and,
- U.S. domestic producers' market share is increasing in the same two quarters

This provision will not apply to any region that has triggered the surge mechanism.

Surge Mechanism:

Each region electing Option A will be allocated a share of exports based on its historic share of the U.S. market. If the volume of exports from the region exceeds the region's Trigger Volume by 1% or less in a month, Canada shall reduce the applicable Trigger Volume for that region during the following month by the total MBF amount of the overage (*i.e.*, the amount by which actual exports exceeded the Trigger Volume). If the volume of exports from the region exceeds the region's Trigger Volume by more than 1% in a month, Canada shall apply retroactively to all exports to the United States from the region during that month an additional export charge equal to 50% of the applicable export charge for that month..

Export Charge Exemptions:

The Agreement ensures an effective first mill price provision for independent lumber remanufacturers.

High value softwood products which are valued at more than \$US500 MBF will be charged as if their value was no more than \$US500 MBF.

Exclusions:

Under the Agreement, the border measure will not apply to softwood lumber exports:

- first manufactured from logs harvested in the Maritime Provinces or Maine, the origin of which is certified under the Maritime Lumber Bureau Certificate of Origin;
- from logs harvested and produced in the Yukon, Northwest Territories or Nunavut;
- from 32 companies previously found by U.S. authorities not to benefit from subsidies.

Exporters of softwood lumber first manufactured in regions or by companies excluded from the border measure are required to obtain export permits for shipments of the covered goods to the United States.