



September 25, 2003

Lic. Gustavo Alanís-Ortega  
JPAC Chair for 2003  
Commission for Environmental Cooperation  
393, rue St-Jacques ouest, bureau 200  
Montréal (Québec) H2Y 1N9

**Re: Response to JPAC advice to Council 03-02: Second North American Symposium on Assessing the Environmental Effects of Trade**

Dear Lic. Alanís-Ortega:

On behalf of the Council, the Alternate Representatives thank the Joint Public Advisory Committee (JPAC) of the Commission for Environmental Cooperation (CEC) for its most recent advice to the Council, which covers a range of topics related to trade and environment, and we offer the following in response to your letter dated March 27, 2003 and advice 03-02.

#### **NAFTA at 10 Assessment**

We have carefully considered your recommendation that we encourage governments to develop baseline economic and environmental conditions in 1994 for a 10-year comparison of NAFTA's environmental impacts. We addressed this issue in our final communiqué for the Ninth Regular Session of the CEC Council, when we established the terms of reference for the 10-year retrospective study of our achievements. The 10-Year Review and Assessment Committee that we are establishing to carry out this retrospective will be asked to draw on past reviews of economic and environmental conditions in North America, and we will support them in this effort. Additionally, these six committee members—two from each of the Parties—are being selected in part based on their familiarity with NAAEC implementation and CEC operations.

#### **Energy and Natural Resources**

The CEC Council and its Secretariat share your interest in the efficient and environmentally sound use of energy and natural resources as well as the examination of market based approaches. The Council has, over the last several years, expressed a strong interest in pursuing increased development of renewable energy throughout North America, and the Secretariat has responded by promoting a variety of efforts to foster markets and financing for renewable energy. For example, the Secretariat has commissioned a report on market-based mechanisms for carbon sequestration, energy efficiency and renewable energy in North America that identifies some options for implementing such mechanisms. That report is now being reviewed by the Parties.

The CEC has also provided a grant from the North American Fund for Environmental Cooperation to the Center for Resource Solutions to investigate the feasibility of increasing renewable energy development in Mexico. The CEC also has updated its database on renewable portfolio standards.

In addition, the Secretariat will host a technical meeting of experts on comparable approaches in estimating the displaced emissions from renewable energy developments. The CEC also has compiled information for an online database of existing and planned renewable electricity capacity in North America, and has hosted a renewable energy meeting in Mexico, in collaboration with the Centro de Estudios del Sector Privado para el Desarrollo Sostenible and the Comisión Nacional para el Ahorro de Energía, and one in Canada with Natural Resources and Environment Canada.

The CEC Council, in its 2003 session, also directed the Secretariat to develop a background paper on existing green certificate policies and programs within each country. The Council also authorized the Secretariat to propose a future course of work to promote other mechanisms to increase renewable energy development in North America. This might include further work to harmonize methods for calculating the environmental benefits of renewable energy and to develop additional information about available and potential renewable energy resources in North America.

Finally, the Council expressed its desire to obtain JPAC advice as it moves to promote a future course of work on renewable energy. We look forward to receiving this advice.

### **Article 10(6) Activities**

The CEC Council has been supportive of continuing the work of the NAAEC Article 10(6) Working Group to enhance cooperation among trade and environment officials in North America. However, we believe that the CEC work conducted under Article 10(6) should be limited to the NAFTA Parties. Your advice that the Council work with their trade counterparts through NAAEC Article 10(6) to build an environmentally friendly trade regime in the Free Trade of the Americas Agreement negotiations goes beyond the mandate of the NAAEC.

Although the environmental issues of the FTAA are beyond the current mandate of the CEC Council, these are, of course, important issues that will be addressed through the normal course of FTAA negotiations.

### **Environmental Subsidies**

We appreciate the importance of subsidies in either promoting or limiting implementation of sound environmental policies in North America, and we have carefully reviewed your advice that the Parties consider a series of studies on environmental or natural capital subsidies. However, at this time, it would be difficult to embark on such investigations. As you are probably aware, the issue of subsidies figures prominently in the current Doha Development Agenda of the World Trade Organization. As the three North American countries establish their individual positions on these sensitive issues for negotiating purposes, it would be inappropriate to conduct investigations on these topics in other forums.

## **Trade Linkages to Indigenous and Local Communities**

You have advised the CEC to better integrate indigenous issues in its work on trade and the environment and to continue to seek the views of indigenous and local communities on how best to do this. In response to your concerns, which are shared by the Parties, the Council directed the Secretariat to strengthen the participation of indigenous and local communities in all aspects of the CEC's work, including trade work. In its recent 2003 regular session, the CEC Council recognized the importance of indigenous and local communities in the implementation of the Biodiversity Strategic Plan, and encouraged the CEC Secretariat and the Biodiversity Conservation Working Group to explore innovative mechanisms to consider the compatibility of biodiversity conservation with traditional lifestyles and needs.

The CEC's Symposium on Assessing the Environmental Effects of Trade, held in Mexico City in March 2003, also included a session devoted to the role that indigenous and local communities play in trade policy at the international level. As you are aware, the Secretariat has recently commissioned a report to provide guidance on how to better engage and involve indigenous peoples in our work. That report will incorporate the viewpoints of indigenous people on these important issues.

## **Transboundary Environmental Impact Assessment Agreement**

Your advice also makes reference to the TEIA agreement. As Council noted during the CEC Council session, Mexico recently provided a proposal, which the Parties are currently reviewing. It is our hope that this proposal can provide a way forward so that we can conclude an Agreement.

In closing, the Council appreciates the suggestions forwarded by the JPAC on several CEC issues of importance and looks forward to future letters of advice.

Yours sincerely,

[Original signed]

José Manuel Bulás Montoro  
Alternate Representative for Mexico

cc: Norine Smith, Alternate Representative for Canada  
Judith E. Ayres, Alternate Representative for the United States  
JPAC Members  
William Kennedy, CEC Executive Director