

# CEC Strategic Plan on Trade and Environment

## Our mission

*To facilitate cooperation and public participation to foster conservation, protection and enhancement of the North American environment for the benefit of present and future generations, in the context of increasing economic, trade and social links among Canada, Mexico and the United States.*

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## Background

The Governments of Canada, the United Mexican States, and the United States of America entered into the North American Free Trade Agreement (NAFTA) and the North American Agreement on Environmental Cooperation (NAAEC) in 1994. The three Governments envisioned the NAAEC and the Commission for Environmental Cooperation (CEC), as the primary means for addressing environment issues in the context of their commitment to greater trade liberalization under the NAFTA.

NAAEC Article 10(6) establishes that the CEC Council shall cooperate with the NAFTA Free Trade Commission (FTC) to achieve the environmental goals and objectives of the NAFTA by, among other things, contributing to the prevention or resolution of environment-related trade disputes and considering on an ongoing basis the environmental effects of the NAFTA. To foster this relationship, a 10(6) working group was established that engages trade and environment officials in addressing issues of common concern as they arise, avoiding conflict, and leveraging resources.

A decade after NAFTA entered into force, however, opportunities for work under the CEC's trade and environment program area, intended to be the cornerstone of the CEC Work Program, remained unexplored. In 2004, the Report of the Ten-year Review and Assessment Committee to the Council of the CEC (the TRAC report) noted, "[a] decade after negotiating the NAAEC...the Parties still pursue their trade and environment policies largely separately rather than through the CEC. One of the results is that they are not always

in a position to anticipate—and thus to prevent—environmental problems associated with increased trade and economic development.”

To increase the capacity of the three countries to identify and address trade-related environmental concerns, to reinvigorate the relationship between the CEC and the FTC and to bring more focus to the CEC work, the CEC Council agreed to develop a strategic plan on trade and environment under the auspices of the 10(6) Working Group.

The Trade and Environment Strategic Plan will serve as a guide for the CEC and the FTC in cooperatively defining and coordinating mutually supportive trade and environment work in North America. It will help to establish a better working relationship between the CEC and the FTC and will raise awareness among trade and environment officials of the trade and environment work undertaken under the NAFTA and the NAAEC. Ultimately, the Strategic Plan will lead, in the long-term, to better-informed policy planning and more integrated strategies and decisions between the FTC and the CEC.

## Goal and objectives

Meeting these challenges will require a deeper relationship between environment and trade policy makers in all three Parties. As directed by the Council in the Puebla Declaration, the first task of this re-energized 10(6) group was to create a strategic plan to guide the CEC's work on trade, environment and economy for the next five years. Working together, the 10(6) Working Group identified a simple goal:

- To promote policies and actions that provide mutual benefits for the environment, trade and the economy.

To reach that goal, the Group identified four specific objectives:

- Enhance North American trade in green products and services, with a view to improving environmental protection, promoting sustainable use of biodiversity, removing trade barriers and utilizing market-based approaches.
- Increase the capacity of the three countries to identify and address trade-related environmental concerns to achieve mutual benefits for trade and the environment and improve collaboration among the three countries in these areas.
- Improve regional and national coordination, including between the CEC and the FTC through the 10(6) working group.
- Broaden understanding of trade and environment linkages and thereby promote policy coherence, both at the domestic and regional levels in North America.

To meet these objectives, the Working Group focused its activities on six specific areas, as outlined in the Puebla Declaration: establishing key elements to enhance markets for renewable energy; addressing issues related to trade pathways for invasive species; trade and enforcement of environmental laws, including enforcement of domestic laws that address transboundary trade in environmentally sensitive goods and materials; environmental procurement practices; market-based approaches to connect North American ecoregions; and sharing, as appropriate, information on methodologies for conducting environmental reviews of trade agreements with a view to better assessing the environmental effects of NAFTA. While these six areas are the primary focus, the Working Group retains the flexibility to focus 10(6) efforts on other urgent matters that may arise, and that support the Plan's goal and objectives.

Although this program considers six specific areas of work, during 2005 projects will focus only on five of them. Work on market-based mechanisms for sustainable use projects will begin in 2006.

The Group identified criteria to assist in both selecting projects to achieve the goal and objectives, and in evaluating the progress made. These criteria will help ensure that the trade and environment work focuses on the CEC's strengths, does not duplicate the work of others, and builds on CEC activities by connecting to the work of other CEC working groups. For a complete list of the criteria please see the Annex.

## Renewable energy

### Projects will promote the North American renewable energy market:

- Share best practices on developing a renewable energy market;
- Enhance the use of available information about renewable energy resources;
- Investigate policies aimed at leveling the playing field related to transmission access;
- Provide guidance for calculating the environmental benefits of renewables;
- Promote purchases of renewable energy; and
- Take actions to promote a North American market for renewable energy certificates.

By harnessing abundant, naturally occurring sources of energy, such as the sun, the wind, geothermal heat, biomass, bio-fuels, and bio-plastics, renewable energy can help provide for current and future North American energy needs with few environmental impacts.

The North American renewable energy market faces a number of challenges including higher initial costs, transmission line service gaps, and the differing renewable energy purchasing requirements employed by local, state/provincial, and national governments. A positive development is the emerging voluntary market for renewable energy certificates (RECs). RECs allow consumers to support renewable energy even if their local utility does not provide it directly. Increased outreach and education can foster REC markets.

Through targeted actions, the Parties and the CEC can address some of the informational and transactional barriers that add to the cost of renewable energy and assist policymakers as they implement policies to promote renewable energy.

## Trade and enforcement of environmental laws

**Projects will promote and facilitate training, compliance assistance and enforcement to expedite and facilitate the movement of legal materials while stopping illegal shipments that could present threats to human health or the environment:**

- Promote and facilitate the training of law and custom enforcement officials to detect, identify, analyze, and enforce against illegal shipments of hazardous waste, ozone depleting substances, protected species, and other illegal materials;
- Develop models for information sharing among the Parties to foster improved understanding of illegal activities and the movement of illegal goods; and
- Promote and develop compliance assistance activities aimed at informing firms of the laws, procedures and best practices related to transboundary shipping.

Illegal shipments of hazardous materials, waste, and wildlife threaten human health and the environment. According to the International Crime Threat Assessment Report, international crime syndicates world-wide earn \$13.5 to \$22 billion annually from hazardous waste dumping, smuggling hazardous materials, and exploiting and trafficking in protected national resources.

Improved training and coordination of customs officials, environmental officials and law enforcement personnel will allow them to spot potentially illegal shipments and take appropriate action. Likewise, training and improved communication will enable the Parties to quickly identify legal shipments and expedite their movement.

Training and compliance assistance to affected firms will help speed trade in legal goods while providing greater protection for human health and the environment.

## Ongoing environmental assessment of NAFTA

**Projects will continue documenting any environmental effects of trade liberalization in North America; improve the capacity of CEC and the Parties to analyze and understand NAFTA's environmental effects; and, support information sharing between Canada and the United States and with Mexico, as appropriate, on methodologies for conducting environmental reviews of trade agreements:**

- Identify gaps and data needs in order to better assess the possible relationship between increased NAFTA-related economic activity and environmental conditions, and the economic and regulatory effects of trade liberalization on the environment;
- Maximize data availability through CEC activities such as the *Taking Stock* reports;
- Support sectoral analysis including through the North American Symposia on Understanding the Linkages Between Trade and Environment;
- Build synergies and share information among the Parties with the aim of further developing, refining, and testing a framework for assessing the environmental impacts of trade, with a view to enhancing the environmental reviews of NAFTA; and.
- Engage with citizens and civil organizations in all of the three countries, especially at the community level.

Article 10(6)(d) of the North American Agreement on Environmental Cooperation requires the Parties on an ongoing basis to assess the environmental effects of the NAFTA. As a result, promoting a better understanding of trade and environmental linkages has been central to the CEC mandate.



## Green purchasing

### Projects will promote North American markets for green products and services:

- Assist in enhancing the compatibility of green procurement practices across North America; and
- Share attributes, procurement techniques, life cycle and market information, and information related to the means of measuring both the environmental and economic benefits of green products and services to build the capacity of government and non-government entities to purchase these products and services.

Green products and services have beneficial environmental and/or energy attributes, such as recycled content, energy efficiency, and no or low amounts of hazardous or toxic constituents, as well as, often, economic benefits. The NAFTA parties attach strong importance to the promotion of North American markets for green products and services and are committed to purchasing them and to promoting their use by all levels of governments and non-government entities. Applying environmental decisions to even a fraction of the one trillion dollar annual North American procurement market would stimulate the demand for green products and services and achieve significant environmental benefits.

There are a number of obstacles that prevent growth of the North American green procurement market such as a need to share information about: successful procurement techniques, including energy or environmental attributes; market segments within and outside of the national governments; existing life cycle or cost benefit tools appropriate for purchasing a given product or service; and, government or third party certification opportunities. Also, there is no common baseline of energy and environmental attributes for a given product or service.

Working together through the CEC, the Parties can overcome some of these obstacles and help grow the green procurement market across North America.

## Market-based mechanisms for sustainable use

### **Projects will promote better use of market-based approaches to support environmental protection, conservation, and the sustainable use of biodiversity:**

- Research and select areas/species or topics that will help identify possible green products and services;
- Facilitate identification and prioritization of products/services for which viable markets for sustainably-produced goods could be developed across North America;
- Enhance the availability and quality of information on best practices in using market-based and financial mechanisms for fostering sustainable use of resources; and
- Analyze methods to harness emerging green market opportunities.

Conservationists are exploring methods to harness public-private partnerships, stewardship mechanisms, economic incentives and financial instruments to serve North America's marine and terrestrial species and areas. The CEC's work on shade grown coffee, sustainable palm and sustainable tourism are examples of applying market-based approaches to conservation. They demonstrate how the triple goals of sustainable land use, poverty alleviation, and economic and trade development can be mutually supportive. This priority area aims to build upon these successes in an effort to increase trade while achieving environmental protection and sustainability goals.

## Invasive alien species

### **Projects will reduce the environmental and economic harm caused by invasive alien species (IAS) through greater coordination in the prevention, detection, analysis, and mitigation:**

- Share methodologies and develop guidelines for assessing and communicating risks associated with aquatic IAS pathways;
- Develop strategies for public engagement in identification and mitigation measures;
- Encourage greater collaboration between and among civil society groups and governments in North America to prevent and control IAS; and
- Develop methods to better analyze the environmental and economic costs of IAS including determining how these costs are borne by specific geographic regions, ecosystems, industry sectors and governments.

The Parties face environmental and economic challenges due to the introduction, establishment, and spread of IAS. Many IAS pathways relate to international trade. While the Parties cooperate in a number of fora to address different aspects of IAS issues, gaps remain in their efforts to analyze and address this threat.

The CEC's Biodiversity Conservation Working Group (BCWG) identified the threat of IAS as a significant concern for the Parties. It included IAS in its 2003 Biodiversity Strategic Plan as one of the 29 Priority Areas for Action. As a result, the CEC is currently conducting work in this area, and could continue to coordinate efforts to assess risks from aquatic pathways, consistent with the work of international standard setting bodies.

Cooperation with civil society groups and the general public can assist governments in their efforts to identify ecosystems where IAS are present and to design mitigation measures and policy responses. The CEC can play an important role in coordinating information sharing among civil society groups and governments at all levels.

More thorough and accurate analysis of the environmental and economic damages caused by IAS could also help the Parties prioritize efforts to combat IAS.

## Conclusion

With this focused, results-oriented Strategic Plan, the 10(6) Working Group hopes to help the CEC fully realize the environmental objectives of the NAAEC and the NAFTA, and to promote sustainable development based upon mutually supportive environmental and economic policies. The 10(6) Working Group commits itself to assessing on an ongoing basis whether the projects undertaken to implement this Strategic Plan are fulfilling the Plan's goal and objectives. Ultimately, with greater coordination of the CEC, FTC, and the Parties' trade and environment officials through the 10(6) Working Group, the Parties should be in a better position to "anticipate—and thus to prevent—environmental problems associated with increased trade and economic development."

## Annex: Project criteria

Mindful of the multitude of specific projects that the CEC could undertake even within the six areas of focus and of the limited budget for such projects, the 10(6) Working Group identified the following criteria to choose which specific projects to undertake, and to evaluate their progress.

### Criteria 1: Required by NAAEC or relevant to its objectives

- Is the priority area or activity required by the NAAEC?
- If not explicitly required by the NAAEC, is the priority area or activity consistent with the objectives outlined in the NAAEC?
- Does the priority area or activity promote collaboration, policy coherence and institutional coordination between the trade and environment communities in North America?
- Does the priority area or activity contribute to trade policy objectives?

### Criteria 2: Builds on or contributes to CEC work

- Is the priority area or project likely to produce definable, measurable results or outcomes?
- Does the priority area or activity build on the existing body of CEC work?

- Does the priority area or activity contribute to current or planned CEC activities in other priority areas?
- Will the priority area or activity contribute to the capacity building pillar set out in the Puebla Declaration?
- Will the priority area or activity contribute to the information pillar set out in the Puebla Declaration?

### Criteria 3: Leverages or catalyzes work by others

- Will the priority area or activity catalyze the development of an idea, project, activity or process that others will want to take over after a clearly delineated development period?
- Will the priority area or project facilitate coordination, cooperation, communication and development of partnerships among the Parties and with key international organizations and stakeholders, as appropriate?
- Will the priority area or project leverage funds?

### Criteria 4: Responds to stakeholders

- Does the priority area or project respond to JPAC, TRAC or stakeholder recommendations?



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