

annual 2010 report

Commission for Environmental Cooperation



Mission

The CEC facilitates 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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Table of Contents

CEC Ministerial Statement, Guanajuato, Mexico, 17 August 2010..... 1

Cooperative Achievements..... 4

 1. Introduction 5

 2. Cooperative Work Program..... 6

 3. Secretariat Report on Sustainable Freight Transportation 12

 4. Submissions on Enforcement Matters 12

 5. Report from the CEC’s Joint Public Advisory Committee 13

Country Reports 16

 Canada 17

 Mexico..... 26

 United States..... 32

2010 Financial Statements..... 43

CEC Ministerial Statement

Seventeenth Regular Session of the CEC Council

Guanajuato, Mexico, 17 August 2010—We, the environment ministers of Canada, Mexico and the United States, as the Council of the Commission for Environmental Cooperation (CEC), met for our annual Regular Session and consulted with our Joint Public Advisory Committee (JPAC) and the public.

Today, in Guanajuato, we presented the proposed *Strategic Plan for 2010–2015* to guide the CEC's work over the next five years. This strategy, which we see as the next milestone in delivering on our collective commitment to renew, revitalizes and refocuses the CEC, provides clear objectives for results-focused collaboration between our countries on three trilateral environmental priorities.

Healthy Communities and Ecosystems

To achieve this priority, the CEC plans to focus its efforts on improving the environmental health of children and other vulnerable communities, increasing the resilience of North America's shared ecosystems, and enhancing environmental and wildlife enforcement and the continental management of chemicals of concern.

Climate Change – Low-Carbon Economy

Here, we intend to collaborate on improving the comparability of our greenhouse gas emissions data gathering, methodologies, and inventories, and to build stronger networks of experts and systems to share climate change information. This would ultimately support greenhouse gas reductions in North America by supplying information and tools that can be used in selecting and carrying out focused mitigation and adaptation projects.

Greening the Economy in North America

To deliver on this priority, we intend to work with partners in the private sector to improve the environmental performance of small- and medium-size enterprises in areas such as state-of-the-art green building design, and the movement of used electronics and other e-wastes within our borders and beyond.

We are ready to start delivering results. In fact, work has already begun under our trilateral environmental priorities in three new CEC projects: first, to support a network of Pediatric Environmental Health Specialty Units (PEHSU) to help address harmful environmental exposures for children and other vulnerable communities; second, to improve the comparability of greenhouse gas data between our three countries; and third, to curb illegal imports and exports of electronic waste through intelligence sharing among our enforcement officials.

Recognizing that environmental challenges are often best addressed by partnering and engaging with North America's communities, the Council has directed that a new grant program be established—the North American Partnership for Environmental Community Action (NAPECA)—to build partnerships to improve environmental conditions at the community, local and regional levels. This 5-year grant program will fund innovative community projects that directly support the objectives under our new priorities and lead to results that can improve environmental outcomes throughout North America.

We have tasked our officials to finalize expeditiously a set of criteria to guide us in selecting CEC-funded activities which will be incorporated by reference, as appropriate, in the Strategic Plan.

We have asked the JPAC to consult North Americans on the Strategic Plan and report back to us later this summer on comments from the public. We have every confidence that once officially finalized, the Strategic

Plan, together with our commitment to focusing and streamlining the CEC's work, will ensure clear and tangible results to address North America's environmental priorities and the environmental concerns of our citizens.

We look forward to continued progress from our collaborative work through the CEC and our annual meeting in Canada next summer.

The CEC was established by Canada, Mexico and the United States to build cooperation among the NAFTA partners in implementing the North American Agreement on Environmental Cooperation (NAAEC), the environmental side accord to the NAFTA. The CEC addresses environmental issues of continental concern, with particular attention to the environmental challenges and opportunities presented by continent-wide free trade.

The Council, the CEC's governing body, is composed of the federal environment ministers (or equivalent) of the three countries, and meets at least once a year. The Council members are Canadian Environment Minister Jim Prentice, Mexican Secretary for Environment and Natural Resources, Juan Elvira Quesada, and US Environmental Protection Agency Administrator Lisa P. Jackson. The Joint Public Advisory Committee (JPAC) is a 15-member, volunteer body that provides independent advice and public input to Council on any matter within the scope of NAAEC.

For more information on any of the topics reviewed by Council, visit <http://www.cec.org>.

Cooperative Achievements

1. Introduction

The CEC was created in 1994 under the North American Agreement on Environmental Cooperation (NAAEC or Agreement) concluded by Canada, Mexico and the United States as a side-agreement to the North American Free Trade Agreement (NAFTA). The CEC's mission is to facilitate collaboration 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.

A Council composed of cabinet-level environmental officials from each of the three Parties to the Agreement governs the CEC, oversees the implementation of the Agreement, and oversees the Secretariat. A fifteen-member Joint Public Advisory Committee (JPAC) acts as an independent advisory body to the Council on any matter within the scope of the Agreement. The CEC Secretariat is headquartered in Montreal and has a liaison office in Mexico City. It is headed by an Executive Director who oversees programs fostering cooperation on various North American environmental matters; a unit that processes citizen submissions on enforcement matters, and the development of independent Secretariat reports on North American environmental issues. As an international organization, the CEC is mandated to implement the objectives of the Agreement, and often does this by facilitating domestic environmental law and policy cooperation and public participation.

This report provides an overview of activities in 2010 under the CEC's cooperative work program; annual progress in the implementation of submissions on enforcement matters under NAAEC Articles 14 and 15, and JPAC activities. Up-to-date information regarding CEC activities is available online at:

<http://www.cec.org/news>.

During the Council session in August 2010, the Council presented the proposed Strategic Plan for 2010-2015 to guide the CEC's work over the next five years to review, revitalize and refocus the CEC, focusing on three environmental priorities: Healthy Communities and Ecosystems; Climate Change – Low-Carbon Economy; and Greening the Economy in North America. Under Healthy Communities and Ecosystems, the CEC plans to focus on improving the environmental health of children and vulnerable communities, increasing the resilience of North America's shared ecosystems, enhancing environmental and wildlife enforcement, and the continental management of chemicals of concern. Concerning the "Climate Change – Low-carbon Economy" priority, the CEC intends to collaborate on improving the comparability of GHG emissions data gathering, methodologies, and inventories, and build stronger networks of experts and systems to share climate change information. Regarding the "Greening the Economy in North America" priority, the CEC intends to work with partners in the private sector to improve the environmental performance of small and medium enterprises (SMEs) in areas such as state-of-the-art green building design, and the movement of used electronics and other e-wastes. The Council at its Guanajuato meeting also announced the North American Partnership for Environmental Community Action (NAPECA), a five-year grant program to fund innovative projects and build partnerships to improve environmental conditions at the community, local and regional levels. More information on the above is available at <http://www.cec.org/council>.

2. Cooperative Work Program

(A) Information for Decision-making

The provision of high-quality environmental information is a fundamental part of the CEC's mandate. Information products, the sharing of key data and analysis, and efforts to boost the quality, comparability and compatibility of national and sub-regional information are common features of CEC projects.

(i) North American Pollutant Release and Transfer Register (PRTR)

The CEC has been working with the PRTR programs of Canada, Mexico and the US to develop a North American profile of industrial pollutant releases and transfers, promote public access to environmental information, and enhance comparability among the national systems. The CEC's annual publication, Taking Stock, compiles information on pollutants and industries subject to reporting under the respective national PRTRs.

During 2010, the CEC worked on the 13th edition of the Taking Stock report, featuring data for the 2006 reporting year. The report has been published at the time of writing this, and presents similarities and differences in pollutant reporting by industry sectors across North America, and also highlights some significant gaps in the overall picture of North American industrial pollution. These gaps are caused by incomplete reporting, as well as differences in reporting requirements among the three countries. An overview of the 2006 data was published in July 2010 on the CEC's Taking Stock Online at www.cec.org/takingstock. Taking Stock Online also features customized, searchable access to the integrated North American PRTR database, allowing users to explore various aspects of reported data, and access summary charts and tools to download the data and display them in the Google Earth mapping application. The upcoming Taking Stock report will provide data overview and key findings of 2006 reporting, additional details and context, and a special feature analysis of pollutant releases to water.

In November, the CEC held its annual PRTR public meeting, which provides a forum for governments, industry, non-governmental organizations and citizens to get updates from representatives of the three national PRTR programs, and exchange information on issues of relevance, including possible topics for future Taking Stock feature analyses. Over 400 people joined the meeting via webcast.

(ii) Enhancing North American Air Quality Management

Since Council Resolution 01-05 issued in 2001, the CEC has been working towards comparability of air emissions inventory information in North America, keeping in mind: 1) facilitating the development of comparable air emissions data for use in trans-border air quality planning, and 2) enhancing the availability of air emissions information in North America. The CEC has been carrying out extensive work in recent years on the development of North American air emissions inventories.

In 2010, the CEC provided support to update the components of the 2008 Mexican National Inventory, using comparable tools and methodologies to those in US and Canada and conducted capacity building workshops for Mexican states to develop their portions of the national inventory. In addition, the CEC sponsored a comparative study of existing North American PM_{2.5} emission factors for on-road mobile sources.

Based on the outcome of the December 2009 meeting to discuss the use of AIRNow-International (AIRNow-I), the CEC facilitated a number of capacity building activities for the implementation of AIRNow-I in Mexico, including: development of AirNow-I planning document outlining Mexico's

capabilities and needs; facilitating Mexico's participation at the US EPA National Air Quality Conference; implementing a webinar on AIRNow-I capabilities; conducting training sessions for network managers on data validation, formatting, QA/QC, air quality forecasting and hands-on activities, and translating AIRNow-I manuals into Spanish.

The North American Power Plants Air Emissions Report was updated for the 2005 data and will provide improved characterization of emissions for this sector.

(iii) Mapping North American Environmental Issues

In 2010, the Secretariat further developed its program on Environmental Information including the State of the Environment (SOE), and compiling geospatial data including map layers and databases for the North American Environmental Atlas. The latter facilitates the visualization of North American environmental information through maps. Seamless continental maps available through the North American atlas webpage, depict political boundaries, populated places, roads and railroads, coastlines, lakes and rivers, terrestrial ecosystems, marine ecosystems, species of concern, pollution and waste and the human influence on the environment. In 2010, the Secretariat also continued the design and maintenance of its interactive Atlas map viewer. The CEC supported a survey of Atlas users and needs and created outreach material for the North American Environmental Atlas. The CEC held annual meetings with the North American Atlas Coordination Group and the North American Land Cover Monitoring System group in 2010 to pursue the work on these projects. More information at: <http://www.cec.org/naatlas>.

(B) Capacity Building

Strengthening capacities of the three countries for managing environmental issues of common concern is a key goal. In developing capacity-building activities, the CEC's five year objectives (2005-2010) focus on priorities such as the abilities to assess and manage chemicals of concern, undertake pollution prevention, participate in biodiversity conservation, and improve enforcement efforts in North America.

(i) Conservation of Biodiversity

In 2010, the North American Marine Protected Areas Network (NAMPAN) began its transition from the Baja California to Bering Sea region to the Atlantic to Caribbean region. Activities included the development of a new marine ecological scorecard for the Veracruz Coral Reef System National Park located in the Gulf of Mexico. In November, the joint NAMPAN-International Council for the Exploration of the Sea Study Group, met to develop science-based guidelines for the marine protected area network, and design processes along the Atlantic coast of North America.

Developed by a series of experts through workshops, the CEC completed A Guide to Ecological Scorecards for Marine Protected Areas in North America, a tool adapted from the National Oceanic and Atmospheric Administration (NOAA) System-Wide Monitoring (SWiM) approach. Workshops organized by the CEC brought together governmental officials, stakeholders and academia to develop standardized questions to assess conditions and trends for water, habitat, and living marine resources. To mark the conclusion of CEC's work related to the implementation of the Marine North American Conservation Action Plans (NACAP), activities in 2010 included implementation of a training workshop on survey methodologies to estimate seabird abundance and distribution in Mexico, including likely areas for pink-footed shearwaters. More information is available at: <http://www.cec.org/marine>.

Drawn from the Monarch Butterfly Biosphere Reserve (MBBR), the CEC sponsored capacity-building workshops to identify sustainable conservation efforts and biodiversity conservation. The CEC co-sponsored the North American Monarch Monitoring Network (MonarchNet) to compile and analyse monitoring data sets in North America and supported the development of a mobile application to enhance monarch observational data. A Monarch monitoring initiative was implemented in Mexico, supporting science-based conservation and management efforts.

Work on North American grasslands included meetings resulting in the Regional Alliance, a permanent working group of organizations promoting the sustainable use of the Chihuahuan Desert Grasslands. The CEC contributed to ongoing grassland bird monitoring in Mexico, as well as revision of the grassland priority conservation areas (GPCAs) in North America. Field monitoring for the 2010-2011 monitoring period is currently underway. The CEC developed work on the Aquatic Invasive Species in the Rio Bravo/Laguna Madre Ecological Region which will identify existing information on invasive species issues, and in particular provide the basis for further research. The report is a complement to the 2010 tri-national risk assessment guidelines for aquatic invasive species. The CEC also co-funded the North American Invasive Species Network workshop (NAISN) which aims to integrate existing invasive species centers, institutes, and agencies into a continental network and ensures tri-national cooperation among regional centers, institutes, networks, databases, and laboratories. Finally, the CEC also co-sponsored the 17th International Conference on Aquatic Invasive Species.

(ii) Sound Management of Chemicals (SMOC)

The SMOC program, created by Council Resolution 95-05, gathers senior government officials charged with setting a framework for addressing the sound management of persistent, bioaccumulative, and toxic chemicals in North America. Since 2008 the Council has confirmed the shift in emphasis from individual toxic substances towards risk reduction in sectors and groups or families of chemicals, enhancing a holistic approach to toxics management in North America.

The Environmental Monitoring and Assessment Action Plan (EM&A Plan) continues to be an integral part of the overall SMOC program. The initial stages for developing a country-wide monitoring network in Mexico's Monitoring and Environmental Assessment Program (Proname) have been implemented and the first results will be forthcoming in 2011. The three original sites in Mexico have been reduced to two sites, largely due to anomalous results obtained in one of them, thus removing it from consideration as a background site. A new site located at Reserva de la Biósfera Sierra de Manantlán, Jalisco, was started up in 2010. Proname data is intended to allow comparison to Canadian and US data and promote North American data consistency. Decision-makers will benefit from early warning information and trends analysis both domestically and regionally. An emphasis on adoption of quality assurance/quality control protocols for analytical chemistry and data reporting is producing validated results.

Under the North American Regional Action Plan (NARAP) on Lindane a survey in bovine milk and human blood in Mexico was completed and a report is being finalized. Consideration is being given to closing the NARAP on Lindane as most of the action items under it have been addressed. The NARAP on Mercury was scheduled for closure as a CEC initiative and a closeout report was prepared. Consideration is being given to what future cooperative work might be undertaken on mercury in North America given the global focus by UNEP. In 2010, the Dioxins, Furans and Hexachlorobenzene Initiative completed emissions factors and inventory updates related to dioxins and furans and hexachlorobenzene. A survey was launched in Mexico to identify Brominated Flame Retardants in selected sites. An assessment study was undertaken to assist Mexico in determining priorities for the future. A Mexican chemicals inventory continued during 2010

with focus on documenting the chemicals that are imported into Mexico. This work is to be complemented by the adoption of the Chemical Abstracts Service protocol.

(C) Trade, Environment and Enforcement

In establishing the CEC, Canada, Mexico and the US acknowledged the growing economic and social links between the NAFTA partners and agreed to promote sustainable development based on cooperation and mutually supportive environmental and economic policies. The CEC 2005-2010 goal is to promote policies and actions that provide mutual benefits for the environment, trade and the economy. More information is available at: <http://www.cec.org/trade>.

(i) Trade and Environment

In 2010, the CEC continued its ongoing work on the environmental assessment of NAFTA. The CEC established a Panel of Experts charged with preparing a report that summarizes available information on the environmental effects of NAFTA since its inception. The report will also advise the CEC on new approaches to undertake assessing the environmental effects of trade liberalization in North America.

In 2010, the CEC pursued its work in the Green Building agenda. To continue supporting the growth of energy efficient buildings, the CEC organized three workshops with Canada, Mexico and the US to explore opportunities for aligning energy efficiency metrics for commercial and institutional buildings in North America. As for promoting renewable energy, the CEC published a study on best practices in energy use and supply in North American municipalities. The research began with a detailed scan of municipal energy initiatives in Canada, Mexico, and the US, covering renewable energy generation, energy efficiency and energy-related procurement. Thirteen municipalities, chosen for their innovative management and use of energy, the diversity of their actions, and the results they produced, were selected from across the three countries. The CEC launched the website directory of tri-national training resources on renewable energy and energy efficiency. Over 100 institutions have included their information in the directory. More information is available at: <http://www2.cec.org/site/energy>.

(ii) Trade and Enforcement of Environmental Law

Tasked with enhancing compliance with and strengthening enforcement of environmental trade laws in North America, Council Resolution 96-06 established the North American Working Group on Environmental Enforcement and Compliance Cooperation (EWG). The EWG is composed of senior-level environmental law enforcement officials from Canada, Mexico and the US. The EWG stands at the intersection between trade and environmental law compliance and enforcement, and its primary objective is to facilitate the dialogue between customs and environmental law enforcement officers on trade and environmental law enforcement. Through the EWG, agencies exchange information to address threats from environmentally non-compliant imports to North America and develop action plans to neutralize, reduce or eliminate such imports. The EWG seeks to build cooperation to stop illegal shipments of regulated materials that may adversely affect human health or the environment and to expedite the movement of legal materials across borders through exchange of information on best practices, training, intelligence-sharing. More information at: <http://www.cec.org/ewg>.

In 2010, the EWG completed a report on a workshop addressing the international traffic of ozone-layer depleting substances (ODS). The CEC concluded an online training course of hazardous wastes and hazardous recyclable materials law in North America, particularly in transboundary movements. This tool is intended to raise awareness and improve the understanding of regulations governing environmentally regulated materials crossing the North American borders.

The EWG completed a publication on experiences and best practices in the implementation and adjudication of environmental law in the region, which documents relevant presentations and lectures during CEC-hosted seminars on environmental law. Coordinated with the Institute of Legal Research of the National Autonomous University of Mexico, this publication will be available at:
<http://www.juridicas.unam.mx>.

The EWG participated at the annual meeting of the North American Super Corridor Coalition, Inc. held in Des Moines, Iowa. This meeting addressed a North American Model for environmental enforcement and compliance cooperation with the objective of supporting the private sector and government officials to address outstanding issues related to compliance assurance in transboundary shipments of environmentally regulated materials. The CEC executed a letter of agreement with the World Customs Organization (WCO) for translating the 'Convention on International Trade in Endangered Species of Wild Fauna and Flora' online training course for customs officials charged with monitoring compliance of wildlife, products and by-products at the ports of entry of the WCO member States. More information at:
<http://www.wcoomd.org/learning.htm>.

The EWG also completed a tool to quantify and characterize off-site transfers of hazardous materials, now available in the publication "Taking Stock Online". Through the Hazardous Waste Task Force, the EWG has progressed in finalizing an electronic mechanism for the exchange of information related to the Prior Informed Consent for hazardous waste import and export in the region, which is expected to be available next year. Finally, in 2010 the EWG moved to an operational approach to address intelligence-sharing in North America. The EWG has defined five areas of interest: e-waste; hazardous waste; ODS; non-compliant small engines, and wildlife. The results of these efforts are expected to increase the ability of the three countries in targeting and deterring non-compliance.

Commission for Environmental Cooperation			
Financial report - Cooperative Work program			
Projects			
As of 31 December, 2010			
(thousands of canadian dollars)			
Project Title	2010 annual budget		Total expenses
Environmental Information	198.0		172.8
1 Mapping North American Environmental Issues	158.0		150.9
2 State of the Environment Reporting	40.0		21.9
Environment, Trade and Sustainability	340.0		326.8
3 Environmental Assessment of NAFTA	150.0		119.3
4 Supporting the Growth of Green Building	90.0		99.7
5 Trade Flows of North American Used Electronics	100.0		107.8
Enforcement and Compliance	465.0		243.0
6 Trade and the Enforcement of Environmental Laws	390.0		204.4
7 Strengthening Wildlife Enforcement in North America	75.0		38.6
Pollutants and Health	1,667.0		1,187.7
8 Sound Management of Chemicals	553.0		381.1
9 Monitoring and Assessing Pollutants across North America	330.0		191.7
10 Enhancing North American Air Quality Management	400.0		323.3
11 Tracking Pollutant Releases and Transfers in North America	384.0		291.6
Biodiversity Conservation	515.0		400.0
12 Conserving Marine Species and Spaces of Common Concern	205.0		115.3
13 Conserving the Monarch Butterfly and Promoting Sustainable Livelihoods	85.0		83.7
14 Protecting Priority Conservation Areas from Invasive Alien Species	95.0		83.2
15 Conserving North American Grasslands	130.0		117.9
New Strategic Initiatives	600.0		132.9
16 New strategic Initiatives	600.0		132.9
	PROJECTS	3,785.0	2,463.3
	WORK PROGRAM SALARIES & BENEFITS	1,847.7	1,603.8
	TOTAL PROJECTS	5,632.7	4,067.1

3. Secretariat Report on Sustainable Freight Transportation

NAAEC Article 13 provides that the Secretariat may prepare a report for the Council on any matter within the annual program. In 2010, the CEC continued with a study to evaluate opportunities for making freight transportation more sustainable in North America. The CEC Secretariat's independent study provides the current environmental status of freight transportation and examines opportunities for improving its sustainability at a time of major infrastructural development along North American trade corridors. The study focuses on greenhouse gas emissions and energy consumption related to freight transportation, especially with respect to rail and trucking modes. More information is available at: <http://www.cec.org/freight>.

4. Submissions on Enforcement Matters

Articles 14 and 15 of the NAAEC provide for a mechanism whereby any person or nongovernmental organization can file a submission asserting that a Party to the Agreement is failing to effectively enforce its environmental law. The process may lead to the development and publication of a factual record containing information relevant to a consideration of the alleged failure by a Party to effectively enforce its environmental law. More information at: <http://www.cec.org/citizen>.

Between the entry into force of the NAAEC in 1994 and 2010, seventy-five submissions were filed with the Secretariat: twenty-six concerning Canada, thirty-nine concerning Mexico, nine concerning the US, and one concerning both Canada and the US. During that time, the Secretariat has dismissed or terminated twenty-four submissions; four submissions were withdrawn, and twenty-six factual records have been recommended to the Council. In two cases, the Council has voted against the Secretariat's recommendation to develop a factual record. Through December 2010, fifteen factual records had been published by the CEC.

During 2010, the Secretariat continued its work on the development of three factual records (Quebec Automobiles, Lake Chapala II, and Coal-fired Power Plants), and began developing a factual record for submission SEM-06-005 (Species at Risk). The Secretariat determined not to recommend the preparation of a factual record regarding two submissions (La Ciudadela Project and Transgenic Maize in Chihuahua). The Secretariat began reviewing three other submissions to determine whether they warranted the development of a factual record (Los Remedios National Park II, Wetlands in Manzanillo, and Skeena River Fishery). Council's decisions on whether to instruct the Secretariat to develop two factual records remained pending during 2010 (Environmental Pollution in Hermosillo II; and consolidated submissions Ex Hacienda El Hospital III and Ex Hacienda El Hospital II).

The Secretariat reviewed four new submissions. The first was Submission SEM-10-001 (Sumidero Canyon), asserting that since 1963 a limestone open-pit mine has been operating adjacent to a national park. In the latter case, the Secretariat determined that the submission did not meet all of the Article 14(1) criteria. Second, was Submission SEM-10-002 (Alberta Tailings Ponds), asserting that tailings ponds resulting from the extraction of bitumen from mined oil sands deposits in northern Alberta, "contain a large variety of substances that are deleterious to fish," and that "these substances migrate to groundwaters and the surrounding soil and surface waters." In the latter case, the Secretariat reviewed the revised submission and requested additional information. In the third case, Submission SEM-10-003 (Iona Wastewater Treatment), the Submitter asserted that discharges from a wastewater treatment plant in British Columbia have a deleterious effect on fish and fish habitat; the Secretariat reviewed the submission to determine whether it meets the Article 14(1) criteria. The Secretariat last received and processed Submission SEM 10-004

(Bicentennial Bridge), asserting that natural protected areas were not fully taken into account during the construction of a bridge and that the environmental impact statement was incomplete regarding protection and preservation of species and their habitat. The Secretariat requested further information regarding the latter submission.

5. Report from the CEC's Joint Public Advisory Committee

Based on comments from the Priorities for 2010 and Beyond, in February, JPAC provided advice supporting the Council's desire to establish healthy communities and ecosystems as a priority; recommending the CEC's assistance in establishing mechanisms to promote a shift to a low-carbon economy, and expressing that North America must move towards an economy relying on clean energy and GHG emissions reduction.

In March, JPAC held its first 2010 regular session in Vancouver on "North America's Energy Market: Aligning Policies and Managing Carbon". The objectives of the meeting were to examine barriers to harmonization and comparability of renewable energy standards and definitions in North America and to discuss opportunities and challenges for carbon capture and storage technologies. Following the Vancouver meeting, JPAC provided advice to Council supporting the Council's desire to promote the use of clean, renewable, and sustainable energy, as well as to develop an overall strategy for addressing climate change, and moving toward a low-carbon economy.

In June, JPAC hosted a Public Forum on Healthy Communities and Ecosystems. The meeting examined the linkages between healthy ecosystems and human health and provided an overview of the PRTR as a tool for public use in the assessment and identification of potential health issues. The session addressed the need for policy-makers to use incentives for maintaining healthy ecosystems as a corollary for protecting human health.

In August, the JPAC led a public consultation on the proposed 2010-2015 CEC Strategic Plan. The public was invited to comment on the Strategic Plan and its specific objectives to protect and improve the environment in North America through priorities defined by the CEC Council. JPAC provided its "Advice 10-03" to the Council based on the public comments it had received.

In October, JPAC provided an "Advice to Council" on the 2010-2015 CEC Strategic Plan with observations and recommendations on: public participation in CEC programs; transparency and independent decision-making through a group of experts for the North American Partnership for Environmental Community Action (NAPECA); promotion of grasslands conservation at a continental scale; prioritizing water quality and quantity in the region; implementing the green building energy-saving and pollution reducing effort; improvement in timeliness of the Submissions on Enforcement Matters process; favoring partnerships with industry and civil society for implementation of the Strategic Plan; creation of an indigenous working group; updating and expanding the CEC communications strategy; support of the Taking Stock initiative; supporting ongoing tri-national coordination on renewable energy; and, publicizing a trilateral exchange of best practices.

In November, JPAC held a public forum in New Orleans to explore innovative ways to green the economy in North America. Topics discussed included transboundary environmental impact assessments as a tool for green development; Greening Supply Chains; Green Buildings; and, Urban Agriculture. All of the latter

were showcase examples of where progress had been made to green the economy in the region. The meeting also addressed degradation and unsustainable uses of resources and ecosystem services, including water.

More information on JPAC is available at: <http://www.cec.org/jpac>.

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Country Reports

Canada Progress Report, 2010

Country Report on Implementation of the Commitments Derived from the NAAEC

PART I: Government of Canada

Note: In the interest of submitting a concise report, web-links have been provided to direct the reader to additional, more detailed information.

Significant Successes

Strategic Initiatives

- The year saw the tabling of a new Federal Sustainable Development Strategy for Canada which provides a federal government-wide approach to improving environmental decision making by: a) providing an integrated, whole-of-government picture of government actions and concrete results to achieve environmental sustainability; b) forging a clear link between sustainable development planning and reporting and the Government's core expenditure planning and reporting system; and c) setting the stage for effective measurement, monitoring and reporting in order to track and report on progress to Canadians. For more details, see www.ec.gc.ca.
- Environment Canada has also begun development of a robust regime for the environmental performance of the oil sands in line with recommendations from the Oil Sands Advisory Panel in its report providing advice on how to build a state of the art scientific monitoring program for the environmental effects of the oil sands. The Panel of leading scientists was appointed to review the design and management of related environmental systems response to concerns about industrial pollution in the Athabasca River and connecting waterways.
- In support of the International Year of Biodiversity 2010, the EcoAction Community Funding Program funded 54 biodiversity-related projects for a total of \$1.65 million in federal funding. These projects will reduce biodiversity loss, protect wildlife and improve species habitat, and increase urban re-naturalization, by building the capacity of communities and individuals in support of a more sustainability. More information is available at <http://www.ec.gc.ca/ecoaction>.
- Under the *Action Plan on Clean Water*, Environment Canada continued to deliver its four-year (2008-2012), \$18-million *Lake Winnipeg Basin Initiative* (LWBI) (www.ec.gc.ca/doc/eauwater/winnipeg_e.html), intended to help restore the ecological integrity of Lake Winnipeg. As the tenth largest freshwater lake in the world and the sixth largest in North America, Lake Winnipeg is a fresh water body of international significance that experiences widespread and recurrent harmful algal blooms due to excess nutrient loading from multiple domestic and international transboundary sources. Its basin covers almost one million square-kilometres and includes four provinces and four U.S. states. The LWBI encompasses three areas of focus: facilitating governance throughout the watershed; the administration of the Lake Winnipeg Basin Stewardship Fund to support projects that reduce nutrient loading to the Lake; and a science program encompassing research, monitoring and information management. Key developments in 2010 include the signing of a *Canada-Manitoba Memorandum of Understanding on Lake Winnipeg*, the initiation of a number of additional stewardship projects, and further implementation of research, information and monitoring activities under the LWBI science plan.

Land Conservation Initiatives

In its commitment to environmental conservation and protection, including support of nongovernmental organizations and communities, the Government of Canada announced the following initiatives in 2010:

- The establishment of a \$100 million Next Generation Renewable Power Initiative to support investment in advanced clean technology in the forestry sector, making it more sustainable and competitive.
- The conservation and restoration of over 138,600 hectares (342,500 acres) to protect habitat for over 79 species at risk, under the Natural Areas Conservation Program, which helps non-profit, non-government organizations secure ecologically sensitive lands.
- The 800th donation through the Ecological Gifts Program since the program's inception in 1995. The program offers significant tax benefits to landowners who donate land or a partial interest in land to a qualified recipient who then ensures that the land's biodiversity and environmental heritage are conserved in perpetuity. For more information, see: <http://www.ec.gc.ca/default.asp?lang=En&n=714D9AAE-1&news=075B7E79-31A4-4B66-8144-E24D12BDE357>.
- An investment of \$10.9 million for projects in 49 communities through the Habitat Stewardship Program for Species at Risk to preserve local habitat and species at risk. More information can be found at <http://www.ec.gc.ca/hsp-pih/default.asp?lang=En&n=59BF488F-1>
- An investment of \$90 million in a series of initiatives to help protect and restore stressed ecosystems in national parks across Canada, including in Banff, Jasper, Kootenay, Yoho, Mt Revelstoke, Glacier, and Waterton Lakes national parks.

Other Initiatives

- In January, a state-of-the-art facility for aquatic science was opened in Burlington, Ontario. The Aquatic Life Research Facility at the Canada Centre for Inland Waters (CCIW), jointly supported by Environment Canada and Fisheries and Oceans Canada, will conduct research on municipal wastewater effluent exposures, pulp mill effluent exposures, oil sands testing, chemicals management plan testing, among others.
- A four-year public education campaign was launched to help make Canadian families more aware of the environmental health risks around them. As part of this campaign, the Government of Canada introduced *Hazardcheck*, a guide that provides simple advice that parents can take to keep their homes safer and healthier for themselves and their children.

State of Environment

- Canada submitted its 2020 emissions reduction target under the Copenhagen Accord which consists of 17% reduction from 2005 levels. More information is available at <http://www.climatechange.gc.ca/default.asp?lang=En&n=9E905AC2-1>.
- An allocation of \$18.4 million was made to enhance the tracking of environmental data through the Canadian Environmental Sustainability Indicators program (CESI). For more information on indicators for 2010, please see: <http://www.ec.gc.ca/indicateurs-indicators/>
- Publication of the *Canadian Biodiversity: Ecosystem Status and Trends 2010* report, a collaborative project of the Canadian federal, provincial and territorial governments and the first assessment of Canada's biodiversity from an ecosystem perspective. For more details, see www.biodivcanada.ca/default.asp?lang=En&n=83A35E06-0.
- Air Health Indicators (AHI) on Ozone and Fine Particulate Matter were developed, including mortality due to heart, circulatory and respiratory diseases. For more information, see: <http://www.ec.gc.ca/indicateurs-indicators/default.asp?lang=en&n=CB7B92BA-1>.

- The Status of Birds in Canada website was developed to help manage migratory bird conservation planning and monitoring, through an interactive website designed to provide an overall picture of the current bird population in Canada and its evolution over the last 40 years. For more information, see: <http://ec.gc.ca/soc-sbc/index-eng.aspx?sY=2010&sL=e> .

Legal and Policy Developments

The coming into force of new *Environmental Enforcement Act* (EEA) bolsters protection of water, air, land and wildlife through tougher enforcement. The EEA is the latest in a series of measures to deter polluters, poachers and smugglers of wildlife, and toxic waste. Once fully implemented, the EEA will give Canadians an effective environmental enforcement regime by introducing stiffer fines and new sentencing powers, and by strengthening the government's ability to investigate infractions. The legislative changes supplement significant increases in resources for environmental enforcement over the last four years, which saw Environment Canada acquire new technologies, expand funding and increase the number of enforcement officers in the field.

The Government of Canada has also taken number of actions to ensure that its regulations provide high levels of environmental protection:

GHG Emissions

- A continental approach to reduce GHG emissions from heavy-duty vehicles was announced, with proposed regulations to reduce greenhouse gas emissions from new heavy-duty vehicles.
- The finalization of GHG Emission regulations that establish progressively more stringent greenhouse gas emission standards for new passenger automobiles and light trucks for 2011-2016 model years.
- Action to reduce GHG emissions in the electricity sector by moving forward with regulations on coal-fired electricity generation. The proposed regulations apply a stringent performance standard to new coal-fired electricity generation units and those coal-fired units that have reached the end of their economic life. For more details, see <http://www.ec.gc.ca/default.asp?lang=En&n=714D9AAE-1&news=55D09108-5209-43B0-A9D1-347E1769C2A5> .
- Regulations requiring an average renewable fuel content of 5% in gasoline were finalized and will come into effect starting December 15, 2010. The proposed regulations are part of the Government's broader Renewable Fuels Strategy. For more information, see <http://www.gazette.gc.ca/rp-pr/p2/2010/2010-09-01/html/sor-dors189-eng.html> .

Chemical/ Waste Exports

- Progress was made towards the proposed *Export of Substances on the Export Control List Regulations*, set to be published in the summer of 2011 in the Canada Gazette, Part I, resulting in a reduced regulatory burden and duplication by merging two existing export regulations—the *Export Control List Notification Regulations* and the *Export of Substances under the Rotterdam Convention Regulations*. In addition, work was undertaken on a proposed order adding 15 substances to Schedule 3 (the Export Control List) of the *Canadian Environmental Protection Act*.
- Work started on updating the regulatory framework on the import and export of waste and hazardous recyclable materials, providing new provisions regulating the export and import of non-hazardous waste for final disposal and improving the regulation of the export and import of designated electrical and electronic equipment destined for final disposal, recycling or reuse,

streamlining and integrating provisions for the export and import of hazardous waste containing PCBs.

- A new regulatory instrument was proposed to address releases of Bisphenol A (BPA) through industrial effluent. The instrument, a Pollution Prevention (P2) Planning Notice, requires industrial facilities subject to the notice to adopt pollution prevention practices and to report on progress achieved through the submission of declarations and interim progress reports within specific timelines.
- The publication in *Canada Gazette*, Part I of *Wastewater Systems Effluent Regulations*, beginning the formal public comment period. The regulations are the principal instrument being used to implement the Canadian Council of Ministers of the Environment (CCME) Canada-wide Strategy for the Management of Municipal Wastewater that was endorsed in 2009. For more details, see <http://www.gazette.gc.ca/rp-pr/p1/2010/2010-03-20/html/reg1-eng.html>.

Environmental Emergencies

The development of a notification system for environmental emergency incidents in Canada continued. The new system, to be finalized in 2011, designates a specific organization and 24-hour telephone number to receive emergency notifications from the public or regulated stakeholders in various regions of Canada. The Government also continued work towards an update of Canada's *Environmental Emergencies Regulations* that will require emergency plans at more facilities that handle or can store hazardous materials over certain quantities.

Government Enforcement

A number of high-profile actions were undertaken to address important violations of Canada's environmental laws and regulations:

- The successful prosecution of Syncrude Canada Ltd. related to the deaths of migratory waterfowl, and the decisions on the Prosperity and Mount Milligan Mines, yielding a historic penalty of \$3M for the violation.
- Irving Pulp and Paper Limited pleading guilty to violating the federal *Fisheries Act* and ordered to pay a penalty of \$75,000, for releasing a bi-product of pulp and paper processing harmful to fish in the Saint John River.
- Suncor Energy Inc. pleading guilty and being fined \$200,000 for violations of the *Fisheries Act* (deposit of a deleterious substance into waters frequented by fish) occurring due to the construction of road works.
- A \$100,000 sentence against Sun 2006 Import and Export Ltd for unlawfully importing an orchid species (*Dendrobium*) considered threatened under the Convention on International Trade in Endangered Species (CITES).

PART II: PROVINCIAL GOVERNMENTS

ALBERTA

Significant Successes

Progressive Reclamation in the oil sands:

An enhanced system for tracking and reporting of milestones associated with disturbance and reclamation was developed. The system ensures better clarity for industry, government, and the public. Industry is now required to report greater detail on reclamation progress—this information is reported annually to the department and posted online. Better reporting also increases the ability to measure and report performance against reclamation plans and gives the province the ability to cross-reference security information against mine liability and reclamation status.

State of Environment

Alberta Environment launched its online State of the Environment reporting website in Fall 2010. State of the Environment reporting is one way to track environmental quality outcomes and the performance of environmental management strategies. Various indicators are monitored, evaluated and reported throughout the year, which helps government track and understand environmental trends and make adjustments. Reported indicators include: condition, pressure, response and performance indicators for air, land, water and biodiversity. The State of the Environment site is posted at: <http://environment.alberta.ca/02488.html>.

Government Enforcement

Charges brought forward by the ministry in 2008 regarding waterfowl deaths on Syncrude's Aurora tailings pond were resolved in 2010 with a sentence of \$3 million agreed upon in provincial court. The sentence will fund several stewardship initiatives, including: research by the University of Alberta on avian protection; the purchase of important habitat for migrating and nesting waterfowl east of Edmonton; and, Keyano College's efforts to develop curriculum for a diploma program for wildlife management technicians in Fort McMurray.

Legal and Policy Developments

Alberta's environmental legislation sets out clear rules and obligations for the protection, enhancement and wise use of the environment. Alberta's Compliance Assurance Program has three areas of focus: education, prevention and enforcement. Annual and quarterly reports are publicly posted at <http://environment.alberta.ca/01292.html>

Climate Change

- Alberta is proud to have developed some of North America's most progressive environmental policies and initiatives, including the first mandated greenhouse gas emissions reduction program for all large industry. *Alberta's Specified Gas Emitters Regulation* Program accomplished the following: In 2010, a reduction of 6.5 million tonnes of greenhouse gas emissions in Alberta was achieved from large facilities under the province's mandatory reduction program and over \$70 million was contributed into the Climate Change and Emissions Management Fund. When added to previous results (up to 2010), greenhouse gas reductions total 23.8 million tonnes and \$257 million have been invested in the Climate Change and Emissions Management Fund.
- Alberta allocated \$57 million in support of clean energy research, including \$25 million to a research partnership between the University of Alberta and the Helmholtz Association of German

Research Centres, \$25 million to Carbon Management Canada and a research network of energy, environmental and social science researchers from 21 Canadian universities that will develop technology and insights to reduce carbon emissions in Canada's fossil fuel energy sector.

Energy Efficiency

- Beginning in June 1, 2010, the Government of Alberta offered rebates to commercial truck owners and operators who installed energy-efficient technologies in their vehicles. In its first two years, the provincial energy efficiency rebate program delivered more than \$26 million in rebates to 110,000 homeowners. Their purchases helped prevent more than 815,000 tonnes of greenhouse gas emissions from entering into the atmosphere - the equivalent of taking 163,000 cars off the road for a year.
- On August 9, 2010, the ministry announced *Light It Right*, a program to provide rebates between \$37,500 and \$375,000 to restaurants, offices, warehouses and other businesses that installed energy-efficient lighting.

Waste and recycling

- Alberta's tire recycling program was expanded to include industrial and off-road tires, with recycling fees now applying to those tires when purchased. More than 60 million tires have been recycled since the program began in 1992.
- Albertans set a new record in beverage container recycling – 83 per cent of containers were recycled in 2010, an increase of six per cent from 2008.

MANITOBA

Significant Successes

- Manitoba was awarded an A+ on the National Energy Efficiency report card for its performance in conserving energy and promoting efficiency for a more sustainable energy future. The report card evaluates the Federal, Provincial and Territorial governments on their energy-efficiency performance and is prepared by the non-profit Canadian Energy Efficiency Alliance (CEEA).
- Manitoba and Canada signed an agreement, the “Canada-Manitoba Memorandum of Understanding Respecting Lake Winnipeg and the Lake Winnipeg Basin”, to address the environmental challenges affecting the lake. The agreement provides the foundation for a long term and coordinated approach to restoring the health of Lake Winnipeg, its watershed and downstream environment. Lake Winnipeg is the 10th largest freshwater lake in the world; its watershed covers parts of four Canadian provinces and four American states.
- Representatives from the northern Frontier School Division travelled to New York to make a presentation on their Mel Johnson School Gardening Project to the United Nations Commission on Sustainable Development. The project was one of three good practice examples chosen by the United Nations Commission for Europe to be presented at the 2010 Commission on Sustainability. Manitoba is the only Canadian province that includes sustainable development in its education mission and vision statements in support of a global perspective on ecological literacy and ethical decision making. Education for Sustainable Development (ESD) grants are available to Manitoba schools by way of a partnership between Manitoba and Manitoba Hydro.

State of the Environment

In support of the 2010 International Year of Biodiversity, the province launched the Manitoba Breeding Bird Atlas to establish and monitor the health and distribution of bird species. The five year project has the support of the Governments of Canada and Manitoba, in recognition of the importance of science and good information as the necessary foundation for good conservation decision-making.

Government Enforcement

A joint investigation involving Manitoba Conservation, Environment Canada, Saskatchewan Environment and the United States Fish and Wildlife Service resulted in twenty-six charges for the illegal export of wildlife (black bear parts and hunting trophies) from Manitoba against two individuals operating a Manitoba business. The charges were laid under Canada’s *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act* (WAPPRIITA) and Manitoba’s *Wildlife Act*. WAPPRIITA is the legislative vehicle by which Canada meets its obligations under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Legal and Policy Developments

- Manitoba embarked on the development of a Strategic Water Conservation Plan, in conjunction with the Winnipeg-based International Institute for Sustainable Development (IISD). The plan is part of WaterSmart Manitoba, a water efficiency program that encourages Manitobans to become more efficient at conserving water resources for future generations.
- *The Pimachiowin Aki World Heritage Fund Act* was proclaimed into law in Manitoba to make funds available in perpetuity to protect, preserve and celebrate the natural and cultural values of the area east of Lake Winnipeg.

QUÉBEC

Significant Successes

Combating climate change

- Québec played a major international role in the fight by federated states and regions against climate change. Its actions culminated in Cancun at the 16th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. It was at this meeting that the role of federated states and regions was officially recognized by the Parties to the Convention. Additionally, the 4th States and Regions Climate Leaders Summit was co-chaired by the premier of Québec.

Protection of biodiversity

- For the Québec Ministry of Sustainable Development, Environment and Parks (*ministère du Développement durable, de l'Environnement et des Parcs*—MDDEP) (<http://www.mddep.gouv.qc.ca/>), 2010 was an opportunity to mark the International Year of Biodiversity. Notable among the important achievements, was the MDDEP's attendance at the World Biodiversity Convention in Nagoya, Japan, the completion and publication of an overview of Québec's network of protected areas, and the listing of nine new plants as threatened or vulnerable—all of which contributed to Québec's efforts to promote biodiversity.

Water resource management

- The Regulation respecting the charges payable for the use of water was passed in December 2010.
- Environmental monitoring measures for the shale gas industry were strengthened. Since October 2010, completion work for gas wells, including fracturing, must receive prior authorization from the MDDEP. Additionally, the MDDEP is fully authorized to subject operators to increased safety measures in order to prevent soil and groundwater contamination. Finally, the MDDEP implemented a systematic inspection program for all shale gas exploration sites.

State of the Environment

- In 2010, the MDDEP disseminated a number of new state of the environment documents (list available) on its own website and those of its agencies—the Québec Environmental Analysis Centre (*Centre d'expertise en analyse environnementale du Québec*—CEAEQ: see <http://www.ceaeq.gouv.qc.ca/index.htm>) and the Québec Centre of Hydric Expertise (*Centre d'expertise hydrique du Québec*: <http://www.cehq.gouv.qc.ca/>)—or of one of its partners, the Québec Centre for Natural Heritage Data (*Centre de données sur le patrimoine naturel du Québec*, see: <http://www.cdpmq.gouv.qc.ca/>). Québec produces an annual GHG emissions report (<http://www.mddep.gouv.qc.ca/changements/ges/index.htm>) and in 2010 published a Québec inventory of greenhouse gas emissions for 2008 and their changes since 1990 (<http://www.mddep.gouv.qc.ca/changements/ges/2008/inventaire1990-2008.pdf>).
- Publication of fourth-year results for the 2006–2012 Action Plan on climate change (<http://www.mddep.gouv.qc.ca/publications/2010/env20100615.htm>).
- Publication of an implementation overview of the Convention on Biological Diversity in Québec (1992–2010) (<http://www.mddep.gouv.qc.ca/biodiversite/bilan-convention-biodiv-1992-2010.pdf>).

Government Enforcement

- Issued 5,528 authorizations under the Environment Quality Act.

- A total of 65 industrial facilities hold MDDEP depollution attestations.
- 118 training courses on various environment-related topics were taken.
- The CEAEQ formed a sampling and analysis team for air emissions from fixed sources. During its first year, the team undertook 11 monitoring projects.
- The Québec government and the Québec aluminum production sector signed the second generation of voluntary agreements for greenhouse gas emissions.
- The CEAEQ published two issues of its newsletter Parlons accréditation, which disseminates information about various accreditation activities and other activities related to the CEAEQ's mandate (http://www.ceaeq.gouv.qc.ca/documents/publications/pub_categorie.htm#bulletins).

Violation Notices, Investigations and Prosecutions

MDDEP

- The MDDEP issued 7,847 notices of violation. Convictions of 132 people resulted in fines totalling \$1,123,400. The ministry served twelve orders.
- The MDDEP forwarded 139 statements of offence to the Director of criminal and penal prosecution.
- MDDEP investigators executed 58 authorized entries and search warrants.
- MDDEP inspectors and investigators carried out 19,740 inspections in the field and 295 investigations.
- The MDDEP published 95 press releases related to fines of over \$2,000 for infractions committed under environmental laws and regulations (http://www.mddep.gouv.qc.ca/Infuseur/mois_condamnations.asp).

MRNF

- MRNF agents filed 4,313 statements of offence and 6,386 charges under Québec laws and regulations.

Legal and Policy Developments

- Assent of the Act concerning Parc national du Mont-Orford
- Enactment of the following acts and regulations:
- Regulation respecting the charges payable for the use of water (<http://www.mddep.gouv.qc.ca/eau/redevance/reglement.htm>)
- Regulation to amend the Agricultural Operations Regulation (http://www.mddefp.gouv.qc.ca/milieu_agri/agricole/rea201007-go.pdf)
- Regulation to amend the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere (http://www.mddep.gouv.qc.ca/air/declar_contaminants/reglement.htm)
- Regulation to amend the Regulation respecting the charges payable for the disposal of residual materials (<http://www.mddep.gouv.qc.ca/matieres/redevances/index.htm>)
- Regulation to amend the Regulation respecting the establishment of Parc national du Saguenay
- An Act to amend the Code of Civil Procedure to prevent improper use of the courts and promote freedom of expression and citizen participation in public debate

Mexico Progress Report, 2010

Country Report on Implementation of the Commitments Derived from the NAAEC

Introduction

The information contained in this section of the *2010 Annual Report*, referring to the period from 1 September 2009 to 31 August 2010, is taken from the annual report of the Secretariat of the Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*—Semarnat). Without seeking to be exhaustive, this report intends to highlight some of the activities and progress with respect to environmental conservation and the sustainable use of ecosystems in Mexico, including activities undertaken by Semarnat's autonomous and decentralized agencies: the National Water Commission (*Comisión Nacional del Agua*—Conagua), the National Commission for Protected Nature Areas (*Comisión Nacional de Áreas Naturales Protegidas*—Conanp), the National Commission for the Knowledge and Use of Biodiversity (*Comisión Nacional para el Conocimiento y Uso de la Biodiversidad*—Conabio), the National Forestry Commission (*Comisión Nacional Forestal*—Conafor), the Mexican Institute for Water Technology (*Instituto Mexicano de Tecnología del Agua*—IMTA), the National Institute of Ecology (*Instituto Nacional de Ecología*—INE) and the Office of the Federal Attorney for Environmental Protection (*Procuraduría Federal de Protección al Ambiente*—Profepa).

Significant Successes in the performance of obligations under the North American Agreement on Environmental Cooperation (NAAEC)

- To combat the second leading cause of loss of biodiversity, actions were taken to prevent, control and eradicate invasive species, such as domestic animals (dogs, cats, goats and sheep) non-native trees (salt pines and cypress) in inland protected natural areas (*Áreas Naturales Protegidas*—ANPs), and the lionfish at marine ANPs.
- In the period from September to December 2009, 26 emblematic species were monitored in a like number of ANPs, ending the year with a total of 32 species monitored. From January to July 2010, a similar number of emblematic species was monitored at ANPs, including the gray whale, monarch butterfly, American crocodile, volcano rabbit and hawksbill sea turtle.
- The Sustainable Development Conservation Program (*Programa de Conservación para el Desarrollo Sostenible*—Procodes) benefited 12,959 persons, 6,479 (50%) of whom were men and 6,480 (50%) of whom were women, including 4,744 (36.6%) indigenous people, living in 408 communities among 175 municipalities in 31 Mexican states.
- Species Conservation Action Programs (*Programa de Acción para la Conservación de la Especie*—PACE) on the vaquita and golden eagle saw progress, as did the reintroduction of the Mexican wolf. The Conanp, in conjunction with *Universidad Autónoma de Sinaloa*, held a theoretical and practical course-workshop on jaguar monitoring using camera traps. A pronghorn PACE was also developed and published.
- From 1 September 2009 to 31 August 2010, 721 wildlife conservation management units (*Unidades de Manejo para la Conservación de la Vida Silvestre*—UMA) were added to the UMA system (664 open-management units and 57 intensive-management units), with a total area of 2,044,348 hectares.

- From 1 September 2009 to 31 August 2010, the application of the National CFC Phaseout Plan (*Plan Nacional de Eliminación de Clorofluorocarbonos*) increased to 24 the number of technical high schools offering courses on best practices in refrigeration and air conditioning systems.
- By the end of 2009, 9,982 inspections were conducted, 7,743 (77.57%) of which were done with small businesses, while the other 2,239 (22.43%) were with medium-sized and large companies. Among the establishments inspected during the year, 4,275 (42.83%) were in compliance, while 5,642 (56.52%) presented minor irregularities and 65 (0.65%) had serious irregularities, leading to 23 partial shutdowns and 42 full closures. Rulings on 5,784 administrative procedures were entered, levying fines totaling 80.30 million pesos. From January to August 2010, a total of 5,804 likely polluters were inspected, 4,505 (77.61%) of which were small businesses, while the other 1,299 (22.4%) were medium-size and large companies. Of the facilities inspected in 2010, 35% were in compliance, 64% presented minor irregularities and 1% presented serious irregularities, leading to 16 partial shutdowns and 40 full closures.
- As a result of Profepa's work, particularly proceedings undertaken by reason of irregularities detected in the period from January to August 2010, fines were levied for a total of 43.65 million pesos.
- By the end of 2009, inspections were conducted at 1,048 companies (18% of registered establishments) identified as air pollution emissions sources, and 1,474 inspection visits were performed to verify the controlled release of combustion gases, CO_x (carbon-based oxides), SO_x (sulfur oxide) and NO_x (nitrous oxide), as well as suspended particles. From January to August 2010, a total of 410 visits were conducted to verify the controlled release of these pollutants.
- During 2009, the different Profepa inspection offices conducted 9,615 audits to verify compliance with non-tariff restrictions; 4,943 of these audits referred to import authorizations, 2,715 to export authorizations, and 1,957 to notices to return hazardous waste generated by companies importing components or merchandise on a temporary basis, for total revenues of 3.49 million pesos. In the period from January to August 2010, there were 6,247 inspections of this kind of transboundary movement, including 1,982 return notices, 171 exports and 4,094 imports, bringing in revenues of 2.58 million pesos.
- During 2009, Profepa attended to 370 environmental emergencies, including 246 involving hydrocarbons and other chemical spills, 23 explosions, 67 leaks and 34 facility fires. In the period from January to August 2010, there were 234 environmental emergencies, including 164 involving hydrocarbons and other chemical spills, 18 explosions, 27 leaks, and 25 facility fires.
- The IMTA, created as a national point of sector contact for the priority environmental issues and climate change, established a portal offering a roster of institutions and companies working on "water, environment and climate change" issues, to foster and create knowledge networks.
- The giant cane (*Arundo donax*) biological control project was begun, with Mexico's leadership through the IMTA, in the US-Mexico border zone.

State of the Environment

- The updating of the 2005 National Emissions Inventory (*Inventario Nacional de Emisiones—INEM*) continued, estimating the emissions of seven pollutants: carbon monoxide (CO), volatile organic compounds (VOCs), nitrous oxides (NO_x), sulfur oxides (SO_x), ammonia (NH₃) and suspended particles of less than 10 and 2.5 micrometers (PM₁₀ and PM_{2.5}).

- The pollutant release and transfer registers for 2006 and 2007 were published on 14 October and 18 December 2009, respectively, thereby fully meeting the year's target.
- Starting in early May 2010, Semarnat undertook actions as part of the sector strategy to mitigate the impact on the Gulf of Mexico, giving rise to the Semarnat action plan to support the National Contingency Plan for Hydrocarbon and Hazardous Substance Spills at Sea (*Plan Nacional de Contingencias para Combatir y Controlar Derrames de Hidrocarburos y otras Sustancias Nocivas en el Mar*). This Semarnat plan contemplates three lines of action: tracking the path of the oil spill; Conanp training of environmental personnel and the different coastal communities on the Gulf of Mexico, as well as non-governmental organizations; and prevention and cleanup activities.
- In the framework of the National Environmental Monitoring and Assessment Program (*Programa Nacional de Monitoreo y Evaluación Ambiental—Proname*), five additional sites were included in 2010: three sites requiring the monitoring of persistent, bioaccumulative and toxic substances in environmental and biological matrices; two ANPs (the Sierra Biosphere Reserve in Manantlán, Jalisco and Valle de Bravo, Mexico State), and one industrial site (Coatzacoalcos, Veracruz). With these, Mexico fulfills its commitments under the Stockholm Convention and the Commission for Environmental Cooperation (CEC).
- Mexico continued to operate the Mexican Dioxin and Furan in Air Monitoring Network (*Red Mexicana de Monitoreo de Dioxinas y Furanos en Aire Ambiente—RMM DFA*), begun in 2008, in accordance with international agreements such as the Stockholm Convention and its CEC commitments with respect to the monitoring of persistent organic compounds. The purpose of the network is to generate information on the dioxin and furan levels in environmental air at nine previously established sampling sites. During the third year of operation, a total of 36 samples were taken and sent for analysis by the environmental chemistry laboratory of the U.S. Environmental Protection Agency.
- In the framework of the AIRNow and National Air Quality Reporting System (*Sistema Nacional de Información de la Calidad del Aire—Sinaica*) integration project, the first workshop provided training on the AIRNow platform, with expert speakers from the United States and Canada, and two *webinar* sessions were held for personnel of the different air quality measurement systems to discuss the issue. A training workshop was also held in October on managing air quality and weather data using the AIRNow-I software, with 35 technicians and analysis from seven Mexican states along with representatives of the INE, Semarnat and the National Meteorological Service (*Servicio Meteorológico Nacional*).

Changes in Level of Protection

- From January to July 2010, the National Wetlands Biosphere Reserve (*Reserva de la Biosfera Marismas Nacionales*) was created in the state of Nayarit, with an area of 133,854 hectares that, added to the aggregate 25,384,800 hectares of 174 ANPs, accounts for a total of 12.92% of national territory.
- Two important initiatives were carried out as part of the woodland protection and conservation strategy: the For-Pay Hydrological Environmental Services Program (*Programa de Pago por Servicios Ambientales Hidrológicos—PSAH*) and the Carbon Capture and Biodiversity Derivatives Environmental Services Market Development Program (*Programa para Desarrollar el Mercado de Servicios Ambientales por Captura de Carbono y los Derivados de la Biodiversidad*). By 2010, the program added an additional 460,000 hectares to the pay-as-you-go environmental services approach.

- As of 31 July 2010, ProÁrbol received funding to include 508,415 hectares under for-pay environmental services, exceeding the year's target by 10%. This figure represents 62.5% of the progress seen in July 2009.
- The National Waste Prevention and Comprehensive Management Program (*Programa Nacional para la Prevención y Gestión Integral de los Residuos—PNPGIR*) was published 2 October 2009. The program's strategies call for 215 actions such as state, municipal and inter-municipal waste prevention and management programs.
- The draft Mexican Official Standard (*Norma Oficial Mexicana*) PROY-NOM-157-SEMARNAT-2009 was published in the Federal Official Gazette on 4 December 2009, providing the elements and procedures to implement mining waste management plans.
- To maintain and manage oil pipelines at the end of their useful lives, Mexican Official Standard NOM-117-SEMARNAT-2006 was published in October 2009, providing the environmental protection specifications to be met during the installation, major maintenance and abandonment of gaseous and liquid hydrocarbon and petrochemical conveyance systems over pipelines.
- From September 2009 to June 2010, 539 projects were added to the Environmental Impact Assessment Procedure (*Procedimiento de Evaluación de Impacto Ambiental—PEIA*). Another 536 projects were ruled on during the period, of which 414 were authorized and 122 were denied as environmental unviable or due to deficient or incomplete information.
- Mexican Official Standard NOM-155-SEMARNAT-2007, establishing the environmental protection requirements for gold and silver leaching systems, was published 15 January 2010.
- Amendments to the ruling establishing the classification and coding of merchandise whose import and export is subject to regulation by Semarnat were published on 27 August 2010, in accordance with the General Wildlife Act (*Ley General de Vida Silvestre*) and to ensure consistency with the endangered species lists under the Convention on International Trade in Endangered Species (CITES) and those listed in NOM-059-SEMARNAT-2001, as well as to specify the forestry products and byproducts that, while not required to submit a phytosanitary certificate, are subject to visual inspection. The amending ruling also provides the procedure to be followed by companies in the manufacturing, maquiladora and export services industry (Immex companies) that generate hazardous waste and intend to return it to the source country, subject to inspection by Profepa.

Government Enforcement

- Fines totaling 24 million pesos were levied with respect to 4,563 inspections of companies from January to June 2010.
- As of June 2010, Conanp had an authorized budget of 94.49 million pesos for the Temporary Employment Program (*Programa de Empleo Temporal—PET*) in 140 priority regions, corresponding to 119 federal ANPs and 21 other conservation programs. In this regard, 32.66 million pesos were spent, representing 34.6% of the total authorized.
- The PET resources paid out from January to June 2010 covered a total of 497,685 daily wages, 361,075 to men and 136,610 to women.

- A wildlife conservation and sustainable use subsidy began in 2010, at UMAs and wildlife management lands and facilities in rural areas. The project benefited 198 projects with funding of 68,820,772.50 pesos. The management and sustainable use of species and species groups such as orchids, palms, reptiles, small mammals, quails, songbirds and ornamental birds sought to create jobs for a total of 6,561 persons (5,163 men and 1,398 women).
- As of July 2010, there were a total of 57 printed conservation and management programs, representing 48.3% of the total area under protection.
- At the 2009 close, revenues of 59.1 million pesos were collected (26.8 million pesos from January to June 2010) in fees for the enjoyment of a total of federal 54 ANPs, including 37 land-based areas and 17 marine nature areas. These revenues were allocated to enhancing conservation activities at the ANPs where the fees were collected.
- In the period from September 2009 to August 2010, the Semarnat state offices throughout the country granted a total of 571 authorizations to use timber resources for a total volume of 4.529 billion cubic meters, in response to applications meeting sustainability criteria.
- In 2010, a total of 3.7 million pesos in fines were levied on environmental projects.
- Under the Conagua programs, a federal investment of almost 23.798 billion pesos is planned for 2010, for the development, conservation and operation of the hydraulic infrastructure.
- In 2009, there were 6,085 inspections of transboundary movements of wildlife specimens, products and byproducts subject to Semarnat regulation. In the period from January to August 2010, 4,569 inspections of this kind were carried out. In 2009, revenues of 2.65 million pesos were derived from reviews of inspection records, while as of August 2010 2.05 million pesos were collected from such reviews.
- As regards inspections of transboundary movements for the importation of forestry products and byproducts, 64,071 inspections were carried out by the end of 2009, with 80 technical reports finding 36 samples identified as having pests warranting quarantine. In the period from January to August 2010, there were 41,709 inspections leading to 29 technical reports and 14 findings of samples with pests. These inspections resulted in revenues of 30.02 million pesos in 2009 and 20.41 million pesos through August 2010.

Future Plans associated with NAAEC Obligations

- Mexico will reduce its emissions by 50% by 2050, if it has the appropriate technology and resources.
- The Eastern Drain Tunnel, slated for completion in 2014, will drain rainwater and wastewater from the Valley of Mexico Metropolitan Area. The drainage tunnel will be the world's longest, with 62 km in length, seven meters in diameter and a capacity of 150 m³/s, built with an investment of 19.5 billion pesos.
- Mexico goal is to have 12 Air Quality Management Programs (*Programas de Gestión de la Calidad del Aire* (Proaires) in effect by 2012. Proaires is a coordination instrument establishing commitments for reduce air pollution at major pollution sources. Mexico currently participates in eight programs of this kind. Two additional Proaires programs are expected for 2010, to be developed among the following options: Municipality of Victoria de Durango, Comarca Lagunera Urban Zone (Torreón, Lerdo and Gómez Palacio), Municipality of Mexicali, and the Municipalities of Tijuana-Rosarito.

- A total of 4,600 industry inspections and verifications of sources under federal jurisdiction with significant potential for air pollution emissions, hazardous waste, environmental impact and risk is expected (Profepa).

For further information, please consult the following web links:¹

- [www.semarnat.gob.mx/transparencia/seguimiento/Documents/informes/cuarto/Cuarto Informe de Labores 2010.pdf](http://www.semarnat.gob.mx/transparencia/seguimiento/Documents/informes/cuarto/Cuarto_Informe_de_Labores_2010.pdf)
- www.semarnat.gob.mx/programas/seguimiento/Paginas/informes-2006-2012.aspx
- www.profepa.gob.mx/innovaportal/v/4203/1/mx/informe_anual_profepa_2010.html

¹ Any difference between the figures in this document and the information contained in the documents whose links are provided is due to updates made in the preparation of this report.

United States Progress Report, 2010

Country Report on Implementation of the Commitments Derived from the NAAEC

The following report was submitted to the CEC Secretariat by the Government of the United States in accordance with NAAEC

Introduction

The information included in this section of the 2010 Annual Report is intended to highlight certain activities and developments related to environmental protection for the calendar year 2010. It does not represent the full range of activities undertaken by the United States (U.S.) government with the NAAEC, nor is it intended to reflect environmental efforts at the state, tribal, territory, or local level.

Significant Successes

- The United States, 14 states and the Saint Regis Mohawk Tribe entered into a settlement agreement with Chapter 11 debtor Motors Liquidation Company (Old GM), formerly known as General Motors Corporation, to settle certain environmental liabilities under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA) and state environmental laws. Under the terms of the agreement, Old GM will pay approximately \$641.4 million and will contribute additional non-cash assets (with an estimated value of \$120 million) for the cleanup and administration of 89 properties and sites, 59 of which are known to have been contaminated with hazardous substances or waste. In addition, Old GM has spent approximately \$11.5 million towards the cleanup of the properties with known contamination during the pendency of the bankruptcy proceeding. The funding provided under the settlement agreement, along with the properties that are currently owned by Old GM and certain other non-cash assets will be placed in an environmental response bankruptcy trust to fund the cleanup and administration of the properties and their return to beneficial use.
- The Environmental Protection Agency (EPA) joined the Department of Commerce, the Department of Energy, the Department of Labor, and the Small Business Administration in the signing of a memorandum of understanding promoting the Economy, Energy, and Environment Initiative (E3). E3 projects are local public-private partnerships driven by communities to coordinate and strategically target federal and state resources to assist local businesses in becoming more efficient, competitive and sustainable. A recent E3 partnership in San Antonio, Texas, is helping a local detention-equipment manufacturer to realize increased energy efficiency that included \$85,000 in potential savings, reduced annual electric consumption of 159,000 kwh, reduced monthly electric demand of 48 kW, and reduced annual natural gas usage of 36,000 cubic feet. In Columbus, Ohio, the recurring savings for six companies participating in an E3 pilot program include \$1.7 million in energy savings, environmental savings of \$2.6 million, more than 20,000 tons of carbon dioxide emissions avoided; 236 tons of sulfur oxide reduced; more than 250,000 pounds of water pollutants avoided, and solid waste reductions of 24,000 pounds as well as increased sales and jobs.
- President Obama announced the award of \$2.3 billion in Recovery Act Advanced Energy Manufacturing Tax Credits for clean energy manufacturing projects across the United States. One hundred eighty three projects in 43 states will create tens of thousands of high quality clean energy jobs and the domestic manufacturing of advanced clean energy technologies including solar, wind and efficiency and energy management technologies.

- Responding to one of the first major directives of the Obama Administration, the U.S. Department of Transportation (DOT) and the U.S. EPA (EPA) jointly established historic new federal rules that set the first-ever national greenhouse gas emissions standards and will significantly increase the fuel economy of all new passenger cars and light trucks sold in the United States. The rules could potentially save the average buyer of a 2016 model year car \$3,000 over the life of the vehicle and, nationally, will conserve about 1.8 billion barrels of oil and reduce nearly a billion tons of greenhouse gas emissions over the lives of the vehicles covered.
- The U.S. EPA and Mexico's Ministry of Environment along with thirty-six other countries, the European Commission, the Asian Development Bank and the Inter-American Development Bank launched a new Global Methane Initiative that urges stronger international action to address near-term climate change. The initiative expands on existing global efforts to reduce emissions of methane, a potent greenhouse gas that contributes to climate change, while providing significant clean energy, human health, environmental and economic benefits. The United States is pledging \$50 million over the next five years to the Global Methane Initiative and is seeking similar pledges from other developed countries, to support implementing methane emissions reduction projects and technologies. EPA estimates that an enhanced global effort to reduce methane emissions could achieve reductions of more than 1.5 billion metric tons of carbon dioxide equivalent – about the same as the annual emissions from more than 280 million cars.
- The U.S. EPA and the U.S. Justice Department announced a Clean Water Act settlement with the Northeast Ohio Regional Sewer District that will address the flow of untreated sewage into Cleveland area waterways and Lake Erie. The settlement will safeguard water quality and protect human health by capturing and treating more than 98 percent of wet weather flows entering the combined sewer system, which services the city of Cleveland and 59 adjoining communities. The Northeast Ohio Regional Sewer District discharges nearly five billion gallons of untreated, raw sewage approximately 3,000 to 4,000 times per year into Lake Erie and nearby rivers. The settlement will require the sewer district to spend approximately \$3 billion to install pollution controls, including the construction of seven tunnel systems ranging from two to five miles in length that will reduce the discharges of untreated, raw sewage to approximately 537 million gallons per year. The sewer district estimates that this investment will lead to more than 30,000 jobs in the Cleveland area and return \$2.63 for every \$1.00 invested.
- In 2009, EPA's Energy Star Leaders prevented the equivalent of more than 220,000 metric tons of carbon dioxide and saved more than \$48 million across their commercial building portfolios. These savings have quadrupled since 2008 and represent the single greatest year of savings since EPA recognized the first Energy Star Leaders in 2004. Over the past five years, Energy Star Leaders are saving money and helping our environment by preventing greenhouse gas emissions equal to the emissions from the electricity use of nearly 39,000 homes annually.
- The U.S. EPA released its annual enforcement and compliance results. In fiscal year (FY) 2010, EPA took enforcement and compliance actions that require polluters to pay more than \$110 million in civil penalties and commit to spend an estimated \$12 billion on pollution controls, cleanup, and environmental projects that benefit communities. These actions when completed will reduce pollution by more than 1.4 billion pounds and protect businesses that comply with regulations by holding non-compliant businesses accountable when environmental laws are violated.

State of the Environment

- U.S. Energy Secretary Steven Chu announced the release of a report from the Department of Energy's National Renewable Energy Laboratory (NREL), which comprehensively analyzes the key

- factors impacting the deployment of offshore wind power in the U.S. The report, "Large-Scale Offshore Wind Power in the United States: Assessment of Opportunities and Barriers," includes a detailed assessment of the Nation's offshore wind resources and offshore wind industry, including future job growth potential. The NREL report finds that harnessing even a fraction of the Nation's potential offshore wind resource, estimated to be more than 4,000 gigawatts, could create thousands of jobs and help revitalize America's manufacturing sector, reduce greenhouse gas emissions, diversify U.S. energy supplies, and provide cost-competitive electricity to key coastal regions.
- The 2009 *State of the Climate* report released draws on data for 10 key climate indicators that all point to the same finding: the scientific evidence that our world is warming is unmistakable. More than 300 scientists from 160 research groups in 48 countries contributed to the report, which confirms that the past decade was the warmest on record and that the Earth has been growing warmer over the last 50 years.
 - The Puerto Rico Aqueduct and Sewer Authority (PRASA) has agreed to implement major capital improvements and upgrades to resolve alleged longstanding violations of the Clean Water Act at 126 drinking water plants across the island and violations of the Safe Drinking Water Act at three others, the Justice Department and U.S. EPA(EPA) announced today. Most of the communities served by the drinking water treatment plants that will be upgraded under the agreement are in low income communities.
 - Climate change threatens to further imperil hundreds of species of migratory birds, already under stress from habitat loss, invasive species and other environmental threats, a new report released today by Secretary of the Interior Ken Salazar concludes. The *State of the Birds: 2010 Report on Climate Change* follows a comprehensive report issue released a year ago showing that that nearly a third of the nation's 800 bird species are endangered, threatened or in significant decline.
 - The Department of the Interior approved nine large scale solar facilities in Nevada and California as part of the administration's initiative to encourage rapid and responsible development of renewable energy on U.S. public lands. These projects have the potential to produce enough energy to power more than 2 million homes while generating hundreds of permanent jobs in both states.
 - Heat waves, storms, sea levels, glaciers, and wildlife migrations are just a few of the environmental indicators that show measurable signs of climate change. A U.S. EPA report, *Climate Change Indicators in the United States*, looked at 24 key indicators that show how climate change impacts the health and environment of the nation's citizens. Some of the key findings include:
 - Greenhouse gas emissions from human activities are increasing. Between 1990 and 2008, there has been about a 14 percent increase in emissions in the United States.
 - Average temperatures are rising. Seven of the top 10 warmest years on record for the continental United States have occurred since 1990.
 - Tropical cyclone intensity has increased in recent decades. Six of the 10 most active hurricane seasons have occurred since the mid-1990s.
 - Sea levels are rising. From 1993 to 2008, sea level rose twice as fast as the long-term trend.
 - Glaciers are melting. Loss of glacier volume appears to have accelerated over the last decade.
 - The frequency of heat waves has risen steadily since the 1960s. The percentage of the U.S. population impacted by heat waves has also increased.
 - The U.S. EPA launched a new set of web tools, data, and interactive maps to inform the public about serious Clean Water Act violations in their communities. Improving water quality is one of EPA Administrator Lisa P. Jackson's priorities and in 2009, Administrator Jackson directed the

agency to develop concrete steps to improve water quality, to better enforce the Clean Water Act and to use 21st Century technology to transform the collection, use and availability of EPA data. The web tools are part of EPA's Clean Water Act Action Plan to work with states in ensuring that facilities comply with standards that keep our water clean.

- For the sixth consecutive year, the U.S. EPA reported a decrease in average carbon dioxide (CO₂) emissions and a slight increase in the average fuel efficiency for new cars and light duty trucks, according to EPA's annual report "Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 through 2010". EPA reported a small improvement in 2010, based on pre-model year sales estimates provided by automakers, to 395 grams of CO₂ per mile and 22.5 miles per gallon (mpg).
- The Department of Energy released a new report highlighting the benefits of the Recovery Act to small businesses throughout the clean, renewable energy industry and environmental management sector. The report found that as of early March 2010, small businesses have been selected to receive nearly \$5.4 billion in funding across a number of Recovery Act and related programs, including loans, loan guarantees, grants, contracts and tax incentives, in partnership with the Department of Treasury.
- The U.S. EPA's Energy Star program has helped improve the energy efficiency of the auto manufacturing industry, which has cut fossil fuel use by 12 percent and reduced greenhouse gases by more than 700,000 tons of carbon dioxide, according to a report by the Nicholas Institute for Environmental Policy Solutions at Duke University. The emissions reductions, which help to fight climate change, equal the emissions from the electricity use of more than 80,000 homes for a year.
- The U.S. EPA released a report that shows 15 years of successful results from its nationwide effort to address acid rain. Since its inception in 1995 as part of the Clean Air Act Amendments of 1990, EPA's Acid Rain Program has earned widespread acclaim due to dramatic sulfur dioxide (SO₂) and nitrogen oxides (NO_x) emission reductions that are saving American lives and ecosystems. An analysis estimates annual public health benefits of the program in 2010 alone at more than \$120 billion, about 40 times the estimated cost.
- As part of the Obama Administration's continuing commitment to open government, the U.S. EPA published the latest data on industrial releases and transfers of toxic chemicals in the United States between Jan. 1 and Dec. 31, 2009. EPA is making the Toxics Release Inventory (TRI) data available within weeks of the reporting deadline through its Web site and in the popular tools, TRI Explorer and Envirofacts. The database contains environmental release and transfer data on nearly 650 chemicals and chemical categories reported to EPA by more than 21,000 industrial and other facilities.

Changes in Level of Protection

- NOAA announced today that it has awarded about \$9.2 million to nine projects throughout the Great Lakes Region that will restore fish habitat by removing dams and barriers, constructing fish passage, restoring wetlands, removing marine debris and invasive species. NOAA received funding from the Environmental Protection Agency through President Obama's Great Lakes Restoration Initiative to support these projects.
- The Department of Energy finalized higher energy efficiency standards for a key group of heating appliances that will together save consumers up to \$10 billion and prevent up to 164 million metric tons of carbon dioxide emissions over 30 years. These new standards - for residential water heaters, pool heaters and direct heating equipment such as gas fireplaces - will reduce air pollution, prevent the release of harmful nitrogen oxides and mercury, and avoid emissions equivalent to taking 46 million cars off the road for one year.

- Secretary of the Interior Ken Salazar commended an agreement between the governments of British Columbia and Montana to strengthen protections for the Flathead River Basin and the Waterton-Glacier International Peace Park. The Flathead River flows south from British Columbia into the United States and forms the western boundary of Glacier National Park. This action adds significant protections to an area that has already been identified as having global significance. Together with Canada's Waterton Lakes National Park, the Waterton-Glacier International Peace Park was the world's first transboundary park when it was created in 1932.
- The Department of the Interior today announced two new rules that will help improve drilling safety by strengthening requirements for safety equipment, well control systems, and blowout prevention practices on offshore oil and gas operations, and improve workplace safety by reducing the risk of human error. The Drilling Safety Rule and the Workplace Safety Rule join a host of reforms that the Department of the Interior has undertaken in the five months since the Deepwater Horizon oil spill that touch every stage of the offshore planning, review, permitting, drilling, and development processes.
- The U.S. EPA set new national air quality standard for nitrogen dioxide (NO₂). This one-hour standard will protect millions of Americans from peak short-term exposures, which primarily occur near major roads. Short-term exposures to NO₂ have been linked to impaired lung function and increased respiratory infections, especially in people with asthma. The agency set the new one-hour standard for NO₂ at a level of 100 parts per billion (ppb). EPA also is retaining the existing annual average standard of 53 ppb. NO₂ is formed from vehicle, power plant and other industrial emissions, and contributes to the formation of fine particle pollution and smog.
- The U.S. EPA clarified and strengthened environmental permitting requirements for Appalachian mountaintop removal and other surface coal mining projects, in coordination with federal and state regulatory agencies. Using the best available science and following the law, the comprehensive guidance sets clear benchmarks for preventing significant and irreversible damage to Appalachian watersheds at risk from mining activity.
- The U.S. EPA made final a rule to address greenhouse gas (GHG) emissions from the largest stationary sources, while shielding millions of small sources of GHGs from Clean Air Act permitting requirements. The phased-in, common-sense approach addresses facilities like power plants and oil refineries that are responsible for 70 percent of the greenhouse gases from stationary sources that threaten American's health and welfare. EPA's phased-in approach starts in January 2011, when Clean Air Act permitting requirements for GHGs kick in for large facilities that are already obtaining Clean Air Act permits for other pollutants. Those facilities will be required to include GHGs in their permit if they increase these emissions by at least 75,000 tons per year (tpy).
- The U.S. EPA and the U.S. Department of Transportation (DOT) today announced the first national standards to reduce greenhouse gas (GHG) emissions and improve fuel efficiency of heavy-duty trucks and buses. This comprehensive national program is projected to reduce GHG emissions by about 250 million metric tons and save 500 million barrels of oil over the lives of the vehicles produced within the program's first five years. EPA and DOT's National Highway Traffic Safety Administration (NHTSA) are proposing new standards for three categories of heavy trucks: combination tractors, heavy-duty pickups and vans, and vocational vehicles. The categories were established to address specific challenges for manufacturers in each area. For combination tractors, the agencies are proposing engine and vehicle standards that begin in the 2014 model year and achieve up to a 20 percent reduction in carbon dioxide (CO₂) emissions and fuel consumption by 2018 model year.
- Regional efforts to protect and restore Puget Sound received a \$13 million helping hand, thanks to the latest round of federal science grants from the U.S. EPA. Since 2006, EPA has dedicated \$71.4

million as part of its ongoing initiative to protect and restore Puget Sound ecosystem health. EPA's science grant funding, dedicated to state agencies, local municipalities and environmental groups, are helping expand and deepen scientific knowledge of Puget Sound

Government Enforcement Action

- Federal and state agencies received \$27.5 million to restore conditions for fish, birds, sensitive habitats, wildlife and recreational use of the Delaware River areas impacted in 2004 by an oil spill from the vessel Athos I. NOAA, the U.S. Fish and Wildlife Service, as well as the states of Pennsylvania, New Jersey and Delaware, collectively received the funds from the U.S. Coast Guard Oil Spill Liability Trust Fund for nine restoration projects. A typical Natural Resource Damage Assessment, or NRDA, can vary from a few months to many years, depending on its complexity.
- Parties responsible for contamination at the Moses Lake Wellfield Superfund Site reached a settlement that provides the funding necessary to clean up the site. Cleanup of TCE (trichloroethylene), an industrial solvent, and other contaminants was initiated by the U.S. Army Corps of Engineers and will be completed by the U.S. EPA. Under the consent decree lodged in federal district court in Yakima, Wash., the federal government pledged to provide an estimated \$55 million in cleanup funds. Other cleanup funding, in the amount of \$3.25 million, will be provided by The Boeing Company, Lockheed Martin and the city of Moses Lake.
- Under a global bankruptcy settlement lodged in federal bankruptcy court in Manhattan today, Tronox Inc. and its affiliated debtors will pay \$270 million into trusts and to federal and state agencies that will fund the cleanup of contaminated sites in 22 states, numerous federal agencies announced today.
- Bouchard Transportation Co. Inc. and its affiliates will pay more than \$6 million to settle a portion of the federal and state natural resource damages claims for the April 2003 spill of up to 98,000 gallons of oil into Buzzards Bay. The settlement announced today is in addition to damage assessment costs for federal and state governments of almost \$1.6 million.
- Doe Run Resources Corp. of St. Louis, North America's largest lead producer agreed to spend approximately \$65 million to correct violations of several environmental laws at 10 of its lead mining, milling and smelting facilities in southeast Missouri. As part of the settlement, Doe Run will pay a civil penalty of \$7 million for violating a series of environmental laws, including the federal Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Emergency Planning and Right-to-Know Act, Comprehensive Environmental Response, Compensation and Liability Act (known as Superfund), and the Missouri Air Conservation Law, Clean Water Law and Hazardous Waste Management Law.
- Murphy Oil USA agreed to spend more than \$142 million to install new and upgraded pollution reduction equipment at its two petroleum refineries in Wisconsin and Louisiana as part of a comprehensive Clean Air Act settlement. The settlement also requires Murphy to pay a \$1.25 million civil penalty and spend an additional \$1.5 million on a supplemental environmental project
- Plains All American Pipeline L.P. and several of its operating subsidiaries will spend approximately \$41 million over the next three years to prevent and remediate corrosion, improve leak detection practices and capabilities, and enhance pipeline oversight on 10,420 miles of crude oil pipeline operated in the United States. The settlement resolves Houston-based Plains' Clean Water Act violations arising out of 10 crude oil spills in Texas, Louisiana, Oklahoma and Kansas and also requires the pipeline company to pay a \$3.25 million civil penalty.
- In response to a federal enforcement action for excessive train engine idling, the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Bay Commuter Railroad Company

- (MBCR) will spend more than \$2 million to reduce diesel locomotive emissions throughout the MBTA's commuter rail system. MBTA and MBCR will spend over \$1 million on anti-idling equipment at all end-of-line stations and maintenance facilities, and will spend another \$1 million on ultra-clean diesel fuel for all trains in the commuter rail system for two years.
- Offshore Vessels LLC (OSV) entered a plea of guilty to knowingly discharging waste oil from one of its vessels, in violation of the Act to Prevent Pollution from Ships (APPS), the Justice Department announced today. OSV, based in Louisiana, entered the plea in U.S. District Court in New Orleans.
 - McWane Inc., a national cast iron pipe manufacturer headquartered in Birmingham, Ala., agreed to pay \$4 million to resolve more than 400 violations of federal and state environmental laws. The settlement, filed in federal court today in Birmingham, Ala., covers 28 of McWane's manufacturing facilities in 14 states and also requires the company to perform seven environmental projects valued at \$9.1 million.
 - American Municipal Power (AMP), an Ohio non-profit utility, will permanently retire its Richard H. Gorsuch Station coal-fired power plant near Marietta under a settlement to resolve violations of the Clean Air Act. As part of the settlement, AMP will also spend \$15 million on an environmental mitigation project and pay a civil penalty of \$850,000.
 - The Pep Boys agreed to pay \$5 million in civil penalties and take corrective measures to settle claims that it violated the Clean Air Act by importing and selling motorcycles, recreational vehicles and generators manufactured in China that do not comply with environmental requirements. Baja Inc., which supplied the non-compliant vehicles to Pep Boys, also settled with the U.S.
 - Washington Beef LLC, the operator of a large slaughterhouse in Toppenish, Wash., agreed to pay a \$750,000 civil penalty and will install several pieces of new waste water treatment equipment that the U.S. EPA estimates will cost approximately \$3 million to resolve allegations that it violated the Clean Water Act.
 - Two subsidiaries of Exxon Mobil Corporation – Mobil Oil Guam Inc. and Mobil Oil Mariana Islands Inc. – agreed to pay \$2.4 million for allegedly violating the federal Clean Air Act by failing to control emissions from their facilities. Together these two companies allegedly illegally discharged hundreds of tons of volatile organic compounds into the air each year from their bulk gasoline terminals on Cabras Island in Guam and in the Lower Base area of Saipan.
 - Wall Herald Corporation agreed to pay approximately \$20 million for past and future cleanup costs incurred by the federal government at the Monitor Devices Superfund site in Wall Township, N.J., according to a settlement filed today in federal court in Trenton, N.J. Under the settlement, Wall Herald will reimburse EPA for its investigation of soil and ground water at the site and the development of the cleanup plan. In addition, the money provided in the settlement will pay for the cost of completing the cleanup.
 - Shell Chemical L.P. and Shell Chemical Yabucoa agreed to install pollution reduction equipment on two petroleum refining facilities at an estimated cost of \$6 million as part of two comprehensive Clean Air Act settlements. The companies will also pay a combined \$3.3 million civil penalty to the United States as well as Alabama and Louisiana and \$200,000 to Louisiana organizations for environmental education and emergency operations.
 - A settlement with Honeywell International Inc. estimated to be worth more than \$10 million will ensure that cleanup of the remaining areas of the Allied Chemical and Ironton Coke Superfund Site in Ironton, Ohio, will move forward. As a result of this settlement with Honeywell and the previous agreements with Honeywell and another potentially responsible party, Amcast Industrial Corp., the United States will recover substantially all of the costs incurred by the government in

responding to the contamination at the site. This settlement and the previous agreements will result in cleanup work estimated to cost in excess of \$75 million.

- Fleet Management Ltd. was ordered to pay \$10 million today for its role in causing the *Cosco Busan* oil discharge and a subsequent cover-up after the ship struck the San Francisco Bay Bridge in November 2007. The judge ordered \$2 million of the total \$10 million monetary assessment to be devoted to fund marine environmental projects in San Francisco Bay.
- Pacific Pipeline Systems LLP, a Long Beach, Calif.-based oil transport company, agreed to pay a \$1.3 million civil penalty and discontinue the use of a section of pipeline through an unstable section of mountains to resolve a Clean Water Act violation.
- Westar Energy agreed to spend approximately \$500 million to significantly reduce harmful air pollution from a Kansas power plant and pay a \$3 million civil penalty, under a settlement to resolve violations of the Clean Air Act. As part of the settlement, Westar will also spend \$6 million on environmental mitigation projects. The agreement resolves violations of the Clean Air Act's New Source Review requirements at the company's Jeffrey Energy Center, a coal-fired power plant near St. Marys, Kansas.
- BP America Inc. was assessed a civil penalty of \$5.2 million for submitting "false, inaccurate, or misleading" reports for energy production that occurred on Southern Ute Indian Tribal lands in southwestern Colorado. The civil penalty announced today is not related to the BP oil spill in the Gulf of Mexico.
- U.S. EPA announced today that concluded enforcement actions in fiscal year 2010 (FY 2010) will result in the treatment, minimization or proper disposal of more than 9.8 billion pounds of hazardous wastes. Respondents in the Region 4 states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee, and on tribal lands will invest more than \$420 million in pollution control and cleanup and will implement more than \$5 million in Supplemental Environmental Projects. The concluded enforcement actions include more than \$15 million in assessed penalties.
- Plains All American Pipeline and several of its operating subsidiaries agreed to spend approximately \$41 million to upgrade 10,420 miles of crude oil pipeline operated in the United States. The settlement resolves Plains' Clean Water Act violations for 10 crude oil spills in Texas, Louisiana, Oklahoma, and Kansas, and requires the company to pay a \$3.25 million civil penalty. Between June 2004 and September 2007, more than 273,000 gallons of crude oil were discharged from various pipelines and one tank owned and operated by Plains, some of which entered navigable waters or adjoining shorelines..
- DuPont agreed to pay a penalty of \$3.3 million to resolve 57 Toxic Substances Control Act (TSCA) violations. DuPont failed to immediately notify U.S. EPA of research indicating substantial risk found during testing chemicals for possible use as surface protection, masonry protection, water repellants, sealants and paints. The Toxic Substances Control Act requires companies to inform EPA when they have research demonstrating that a chemical could pose a substantial risk to human health and the environment.
- Chemtura Corporation has agreed to resolve its liabilities at contaminated sites across the U.S. for approximately \$26 million. The agreement settles Chemtura's environmental liabilities under the Comprehensive Environmental Response, Compensation and Liability Act, and for violations of the Clean Air Act, the Clean Water Act, and the Emergency Planning and Community Right-to-Know Act. Chemtura and 26 of its affiliates filed for protection under Chapter 11 of the U.S. Bankruptcy Code on March 18, 2009. At the time of bankruptcy filing, the company was potentially responsible for cleanups at numerous Superfund sites.

Future Plans in Implementing the Agreement

- Secretary of the Interior Ken Salazar today announced the availability of more than \$395 million in grants to states and tribes to restore abandoned mine lands nationwide, generating jobs and eliminating health and safety hazards caused by past coal mining. The Fiscal Year 2011 funding for the grants administered by Interior's Office of Surface Mining Reclamation and Enforcement (OSM) represents an increase of more than \$25 million over last year.
- Secretary of the Interior Ken Salazar and Cape Wind Associates, LLC signed the nation's first lease for commercial wind energy development on the Outer Continental Shelf (OCS), comprised of 25 square miles in Nantucket Sound offshore Massachusetts. The 130 planned wind turbines could generate a maximum electric output of 468 megawatts with an average anticipated output of 182 megawatts. At average expected production, Cape Wind could produce enough energy to power more than 200,000 homes in Massachusetts. Cape Wind energy project would be the first wind farm on the OCS, potentially generating enough power to meet 75 percent of the electricity demand for Cape Cod, Martha's Vineyard and Nantucket Island combined.
- The Department of Energy is accepting applications for up to \$184 million over three to five years to accelerate the development and deployment of new efficient vehicle technologies that will reduce U.S. dependence on foreign oil, save drivers money, and limit carbon pollution. Projects will span the broad spectrum of technology approaches, including advanced materials, combustion research, hybrid electric systems, fleet efficiency, and fuels technology.
- The U.S. Department of Energy is accepting applications for a total of up to \$74 million to support the research and development of clean, reliable fuel cells for stationary and transportation applications. The solicitations include up to \$65 million over three years to fund continued research and development (R&D) on fuel cell components, such as catalysts and membrane electrode assemblies, with the goal of reducing costs, improving durability and increasing the efficiency of fuel cell systems. These awards will help support U.S. leadership in the emerging global fuel cell market, while limiting greenhouse gas emissions and reducing the country's reliance on fossil fuels.
- The Department of Energy selected 22 projects that will accelerate carbon capture and storage research and development for industrial sources. Funded with more than \$575 million from the American Recovery and Reinvestment Act, these R&D projects complement the industrial demonstration projects already being funded through the Recovery Act. Together, these projects represent an unprecedented investment in the development of clean coal technologies. This program supports the President's goal of overcoming the barriers to cost-effective deployment of carbon capture and storage while also helping to position the U.S. as a leader in the global clean energy race.
- FutureGen Alliance, Ameren Energy Resources, Babcock & Wilcox, and Air Liquide Process & Construction, Inc. were awarded \$1 billion to build FutureGen 2.0, a clean coal repowering program and carbon dioxide (CO₂) storage network. The project partners estimate the program will bring 900 jobs to downstate Illinois and another 1,000 to suppliers across the state.
- Six projects were selected by the Department of Energy to find ways of converting captured carbon dioxide (CO₂) emissions from industrial sources into useful products such as fuel, plastics, cement, and fertilizers. Funded with \$106 million from the American Recovery and Reinvestment Act -matched with \$156 million in private cost-share -these selections demonstrate the potential opportunity to use CO₂ as an inexpensive raw material that can help reduce carbon dioxide emissions while producing useful by-products that Americans can use.
- More than \$76 million in funding from the American Recovery and Reinvestment Act will be awarded to support advanced energy-efficient building technology projects and the development

of training programs for commercial building equipment technicians, building operators, and energy auditors. The 58 projects selected will help make the nation's buildings more energy efficient and cost-effective. They will also support programs to train workers to service and operate new and existing buildings, to develop and deploy best practices resulting in fewer greenhouse gas emissions, and to establish a green workforce with technical expertise to reduce energy costs for consumers.

- The Department of Energy announced more than \$37 million in funding from the American Recovery and Reinvestment Act to support high-efficiency solid-state lighting projects. Solid-state lighting, which uses light-emitting diodes (LEDs) and organic light-emitting diodes (OLEDs) instead of incandescent bulbs, has the potential to be ten times more energy-efficient than traditional incandescent lighting. Lighting accounts for approximately 24 percent of the total electricity generated in the United States today - by 2030, the development and widespread deployment of cost-effective solid-state lighting could reduce electricity use for lighting by one-third nationally.
- The Department of Energy announced the investment of nearly \$80 million under the American Recovery and Reinvestment Act for advanced biofuels research and fueling infrastructure that will help support the development of a clean sustainable transportation sector. The selections - two biofuels consortia for up to \$78 million to research algae-based and other advanced biofuels - are part of the Department's continued effort to spur the creation of the domestic bio-industry while creating jobs.
- The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), the Department of Energy (DOE), and the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) announced eight joint research awards totaling nearly \$5 million to support the responsible siting and permitting of offshore wind energy facilities and ocean energy generated from waves, tides, currents and thermal gradients. This critical research will address key information gaps regarding the potential environmental effects of renewable ocean energy. This collaborative, interagency effort will help lay the foundation for a clean, renewable offshore energy industry that will diversify our nation's energy mix, enhance our energy security, create American manufacturing jobs, and reduce carbon emissions.
- The Office of Indian Energy and Economic Development at the Department of Interior awarded \$3.7 million to tribes that are developing renewable energy resources for their communities. Access to these resources will allow these communities to develop jobs and additional economic opportunities on their reservations, while decreasing their reliance on fossil fuels.
- Secretary of the Interior Ken Salazar signed an historic Memorandum of Understanding with his Canadian counterpart, the Honorable Chuck Strahl, Minister of the Department of Indian and Northern Affairs Canada, to improve the quality of life of Indigenous peoples in each country through increased cooperation and information-sharing. The MOU is designed to establish a framework and joint action plan for future co-operative activities between INAC and the Department of the Interior.
- The U.S. Department of the Interior and U.S. Customs and Border Protection completed the first Inter-Agency Agreement under the 2009 Memorandum of Agreement to fund environmental mitigation projects that will benefit several species of fish and wildlife affected by border security projects in the Southwest. Signed September 28, the agreement will fund \$6.8 million in projects and represents the first of a series of efforts designed to mitigate impacts from the construction of fencing and other security measures along the U.S. Border with Mexico.
- U.S. EPA Administrator Lisa P. Jackson unveiled the Obama Administration's Great Lakes Restoration Initiative Action Plan. Administrator Jackson was joined by Wisconsin Governor Jim

Doyle and Ohio Governor Ted Strickland, co-chairs of the Council of Great Lakes Governors. In February 2009, President Obama proposed \$475 million for a Great Lakes Restoration Initiative. The Action Plan, which covers the years 2010 through 2014, outlines the goals and key actions the administration believes are necessary to restore and protect this natural and economic treasure.

- U.S. EPA Administrator Lisa P. Jackson joined Secretary of State Hillary Rodham Clinton and a number of partners to announce the Global Alliance for Clean Cookstoves at the Clinton Global Initiative in New York. The public-private alliance addresses one of the greatest threats facing developing countries and their populations — extraordinarily high exposures to toxic smoke from indoor fires and inefficient cookstoves that lead to nearly 2 million deaths each year, primarily in young children and women. The U.S. government pledged \$53.32 million over the next five years to support the initiative, with EPA contributing \$6 million.
- U.S. EPA and the Shanghai Environmental Protection Bureau (EPB) launched AirNow International, with real-time air quality data reporting from the 2010 World Expo. The Shanghai EPB will use technology developed by EPA to send air quality data to Shanghai citizens through the Internet. EPA and Shanghai EPB developed AirNow International, building on Shanghai's existing air quality monitoring network and capability in analyzing air quality data. EPA provided technical assistance to Shanghai, a city of more than 17 million people, to begin reporting the data to the public as it becomes available.

Conclusion

Calendar year 2010 was another outstanding year for the United States in fulfillment of our obligations under the North American Agreement for Environmental Cooperation. The success achieved regarding enforcement actions, increasing environmental levels of protection and taking action to protect the future of our shared environment was encouraging. Additionally, the development of clean energy projects, the funding of monitoring networks, and inter-agency agreements to address pollution and waste management are signals that federal agencies are employing a comprehensive approach to environmental management. We look forward to continuing our commitment to the American Agreement for Environmental Cooperation and taking the necessary actions to further protect and improve the state of our environment in the years to come.

2010 Financial Statements

Financial statements of

**COMMISSION FOR
ENVIRONMENTAL COOPERATION**

December 31, 2010

COMMISSION FOR ENVIRONMENTAL COOPERATION

Table of contents

Independent auditor's report	1-2
Statement of revenue and expenditures.....	3
Statement of changes in capital.....	4
Balance sheet.....	5
Statement of cash flows.....	6
Notes to the financial statements.....	7-11
Expenses related to the work program, specific obligations under the NAAEC, council meetings, joint public advisory committee (JPAC) meetings	Schedule

Independent auditor's report

To the Council of the
Commission for Environmental Cooperation

We have audited the accompanying financial statements of Commission for Environmental Cooperation, which comprise the balance sheet as at December 31, 2010, and the statements of revenue and expenditures, changes in capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Commission for Environmental Cooperation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sanson Bélair/Deloitte & Touche s.e.n.c.r.l.¹

June 7, 2011

¹ Chartered accountant auditor permit No.15569

COMMISSION FOR ENVIRONMENTAL COOPERATION

Statement of revenue and expenditures

year ended December 31, 2010

(in Canadian dollars)

	2010	2009
	\$	\$
Revenue		
Contribution - Canada (Note 5)	3,036,122	2,976,610
Contribution - Mexico (Note 5)	3,036,122	2,976,610
Contribution - United States (Note 5)	3,036,122	2,976,610
Other revenue	12,031	152,446
	9,120,397	9,082,276
Expenditures		
Expenses related to the work program - Schedule	2,205,804	2,434,997
Expenses related to specific obligations - Schedule	379,310	279,138
Expenses related to Council meetings - Schedule	136,760	196,106
Expenses related to JPAC meetings - Schedule	337,417	222,544
Expenses related to Directorate operations	191,762	317,710
Expenses related to managing CEC information	77,517	59,304
Planning and evaluation	257,395	261
Public outreach	210,596	294,561
Salaries and employee benefits	3,614,060	3,883,873
Relocation and orientation expenses	42,719	90,689
Office expenses	40,318	48,394
Telecommunications	70,360	77,090
Rent, utilities and office maintenance	790,153	810,480
External administrative support	180,393	234,241
Operating equipment	54,283	53,725
Amortization of capital assets	20,454	25,566
Grants	171,397	-
Foreign exchange loss (gain)	345,571	(36,116)
	9,126,269	8,992,563
(Deficiency) excess of revenue over expenditures	(5,872)	89,713

COMMISSION FOR ENVIRONMENTAL COOPERATION

Statement of changes in capital

year ended December 31, 2010

(in Canadian dollars)

	Invested in capital assets	Restricted for currency fluctuation	Unrestricted	Total	
				2010	2009
	\$	\$	\$	\$	\$
Balance, beginning of year	102,582	501,000	6,539,284	7,142,866	7,053,153
(Deficiency) excess of revenue over expenditures	(20,454)*	(345,571)	360,153	(5,872)	89,713
Investment in capital assets	32,961	-	(32,961)	-	-
Internally imposed restriction	-	345,571	(345,571)	-	-
Balance, end of year	115,089	501,000	6,520,905	7,136,994	7,142,866

* Amortization of capital assets

COMMISSION FOR ENVIRONMENTAL COOPERATION

Balance sheet as at December 31, 2010 (in Canadian dollars)

	2010	2009
	\$	\$
Assets		
Current assets		
Cash and temporary investments, bearing interest at 0.1%	5,509,047	6,390,606
Short-term investments, bearing interest at 0.30%	-	499,998
Restricted cash and temporary investments, bearing interest at rates varying from 0.05% to 0.75% (0.05% to 0.40% in 2009) (Note 6)	659,900	640,296
Goods and services tax	140,277	137,937
Contributions receivable	2,983,800	1,851,959
Advances to employees	1,689	2,609
Other receivables	3,883	3,540
Prepaid expenses	31,953	28,209
	9,330,549	9,555,154
Capital assets (Note 4)	115,089	102,582
	9,445,638	9,657,736
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	666,885	1,113,092
Deferred contributions (Note 5)	731,804	480,170
Employee benefits (Note 6)	659,900	640,296
Lease inducements	31,256	31,256
	2,089,845	2,264,814
Lease inducements	218,799	250,056
	2,308,644	2,514,870
Commitments (Note 8)		
Capital		
Invested in capital assets	115,089	102,582
Restricted for currency fluctuation	501,000	501,000
Unrestricted	6,520,905	6,539,284
	7,136,994	7,142,866
	9,445,638	9,657,736

Approved by the Council

..... Canada
 Mexico
 United States

COMMISSION FOR ENVIRONMENTAL COOPERATION

Statement of cash flows

year ended December 31, 2010

(in Canadian dollars)

	2010	2009
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenditures	(5,872)	89,713
Adjustments for:		
Amortization of capital assets	20,454	25,566
Amortization of lease inducements	(31,257)	(31,256)
Deferred contributions	251,634	430,170
Unrealized foreign exchange loss	305,400	788,662
	540,359	1,302,855
Changes in non-cash operating working capital items (Note 7)	(1,563,951)	1,564,690
	(1,023,592)	2,867,545
Investing activities		
Acquisition of capital assets	(32,961)	(17,766)
Restricted cash and term deposits	(19,604)	(8,928)
	(52,565)	(26,694)
Financing activities		
Repayment of obligations under capital leases	-	(1,970)
Effect of foreign exchange on cash and cash equivalents	(305,400)	(788,662)
(Decrease) increase in cash and cash equivalents	(1,381,557)	2,050,219
Cash and cash equivalents, beginning of year	6,890,604	4,840,385
Cash and cash equivalents, end of year	5,509,047	6,890,604
<i>Cash and cash equivalents comprise:</i>		
Cash	635,507	2,150,806
Temporary investments	4,873,540	4,239,800
Short-term investments	-	499,998
	5,509,047	6,890,604

COMMISSION FOR ENVIRONMENTAL COOPERATION

Notes to the financial statements

December 31, 2010

(in Canadian dollars)

1. Nature of activities

The Commission for Environmental Cooperation (the "Commission") is an international organization created by the North American Agreement on Environmental Cooperation for the purpose of meeting NAFTA's environmental provisions. The Commission became operational in July 1994.

2. Future accounting policies

New accounting framework

The CICA has approved a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and generally accepted accounting principles ("GAAP") for not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. The Commission currently plans to adopt the new accounting standards for not-for-profit organizations. The date of transition to the new standards and the impact of this transition has not yet been determined.

3. Accounting policies

The Commission has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 3862 and 3863, which would otherwise have applied to the financial statements of the Commission for the year ended December 31, 2010. The Commission applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian GAAP and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital assets

Capital assets are recorded at cost and are amortized on their estimated useful life using the straight-line method at the following annual rates or term:

Computer equipment	20%
Software	30%
Furniture and fixtures	20%
Telephone system	30%
Equipment	30%
Leasehold improvements	term of the lease

COMMISSION FOR ENVIRONMENTAL COOPERATION

Notes to the financial statements

December 31, 2010

(in Canadian dollars)

3. Accounting policies (continued)

Lease inducements

Lease inducements relate to the rental of office space by the Commission. Amortization of these inducements, over the term of the lease, is offset against rent expenses.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Commission's designation of such instruments. Settlement date accounting is used.

Classification

Cash, temporary investments and short-term investments	held for trading
Contributions receivable	loans and receivables
Advances to employees	loans and receivables
Other receivables	loans and receivables
Accounts payable and accrued liabilities	other liabilities
Employee benefits	other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other revenue.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

COMMISSION FOR ENVIRONMENTAL COOPERATION

Notes to the financial statements

December 31, 2010

(in Canadian dollars)

3. Accounting policies (continued)

Financial instruments (continued)

Effective interest method

The Commission uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Contributions

The Commission follows the deferral method of accounting for government contributions. Under this method, contributions are recognized as revenue in the year in which the related expenses are incurred.

The Government of Canada, the Government of Mexico and the Government of the United States of America (the "Parties") contribute to the Commission's annual budget by mutual agreement.

Foreign currency translation

Monetary assets and liabilities of the Commission denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction dates. Translation gains and losses are presented in the statement of revenue and expenditures.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. Capital assets

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	392,157	367,612	24,545	16,435
Software	119,965	119,302	663	3,254
Furniture and fixtures	381,581	381,581	-	-
Telephone system	116,696	116,696	-	-
Equipment	172,377	151,876	20,501	4,841
Equipment financed under capital leases	32,282	32,282	-	-
Leasehold improvements	248,291	178,911	69,380	78,052
	<u>1,463,349</u>	<u>1,348,260</u>	<u>115,089</u>	<u>102,582</u>

COMMISSION FOR ENVIRONMENTAL COOPERATION

Notes to the financial statements

December 31, 2010

(in Canadian dollars)

5. Deferred contributions

	Canada	Mexico	United States	Total
	\$	\$	\$	\$
Balance, beginning of year	160,056	160,057	160,057	480,170
Contributions committed	3,120,000	3,120,000	3,120,000	9,360,000
Contributions transferred to revenue	(3,036,122)	(3,036,122)	(3,036,122)	(9,108,366)
Balance, end of year	243,934	243,935	243,935	731,804

6. Employee benefits

Employees are entitled to withdraw accumulated amounts as defined in the Rules of employment. The Commission holds the equivalent of those amounts in a restricted term deposit or bank account.

7. Changes in non-cash operating working capital items

	2010	2009
	\$	\$
Goods and services tax	(2,340)	13,563
Contributions receivable	(1,131,841)	1,653,466
Advances to employees	920	(668)
Other receivables	(343)	4,892
Prepaid expenses	(3,744)	(367)
Accounts payable and accrued liabilities	(446,207)	(60,631)
Other deferred revenue	-	(54,493)
Employee benefits	19,604	8,928
	(1,563,951)	1,564,690

COMMISSION FOR ENVIRONMENTAL COOPERATION

Notes to the financial statements

December 31, 2010

(in Canadian dollars)

8. Commitments

- a) The Commission signed operating leases for office equipment and premises with third parties. These leases expire in 2013 and 2018, respectively. Total minimum payments required over the forthcoming years are as follows:

	\$
2011	406,762
2012	324,767
2013	324,542
2014	349,574
2015	351,127
2016 and thereafter	<u>1,074,349</u>
	<u>2,831,121</u>

- b) The Commission has commitments of \$611,491 related to environmental projects and of \$120,313 related to administration and support for a total of \$731,804.

9. Financial instruments

Currency risk

The Commission realizes 68% of its revenue and approximately 23% of its expenditures in U.S. dollars and is thus exposed to foreign exchange fluctuations. The Commission does not actively manage this risk.

The balance sheet includes the following amounts in Canadian dollars with respect to financial assets and liabilities for which the cash flows are denominated in the following currency:

	<u>2010</u>	<u>2009</u>
	\$	\$
U.S. dollars:		
Cash and temporary investments	5,254,046	4,729,787
Accounts receivable	2,983,800	1,851,959
Accounts payable and accrued liabilities	185,887	444,005
Pesos:		
Cash	34,840	22,038
Accounts payable and accrued liabilities	93,837	49,344

Fair value

The fair values of contributions receivable, advances to employees, other receivables, accounts payable and accrued liabilities and employee benefits is approximately equal to their carrying values due to their short-term maturities.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**COMMISSION FOR ENVIRONMENTAL
COOPERATION**

Schedule

**Expenses related to the work program, specific obligations
under the NAAEC, Council meetings, joint public advisory
committee (JPAC) meetings**

**December 31, 2010
(in Canadian dollars)**

	2010	2009
	\$	\$
Work program		
Professional fees	1,280,898	1,619,889
Travel, accommodation and meeting expenses	747,515	597,711
Publications	123,584	170,078
Office expenses	53,807	47,319
	2,205,804	2,434,997
Specific obligations under the North American Agreement on Environmental Cooperation		
Professional fees	151,836	151,411
Travel, accommodation and meeting expenses	95,553	83,109
Publications	121,595	33,271
Office expenses	10,326	11,347
	379,310	279,138
Council meetings		
Travel, accommodation and meeting expenses	122,688	182,676
Publications	12,587	11,511
Office expenses	1,485	1,919
	136,760	196,106
Joint Public Advisory Committee (JPAC) meetings		
Travel, accommodation and meeting expenses	280,611	199,480
Publications	18,076	7,894
Office expenses	6,108	4,318
Professional fees	32,622	10,852
	337,417	222,544