

# annual 2011 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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## CEC Ministerial Statement

## Eighteenth Regular Session of the CEC Council

**Montreal, Canada, 22 June 2011**—Today, we, the environment ministers of Canada, Mexico and the United States, are proud to present a comprehensive set of initiatives designed to conserve, protect and enhance the North American environment through the Commission for Environmental Cooperation (CEC). Working through the unique partnership of the CEC allows us to achieve environmental objectives in a way that none of the three countries could achieve alone.

Our vision for the CEC represents a new path forward for environmental cooperation in North America. It delivers initiatives that bring together partners and connect communities across North America to promote a sense of shared responsibility and stewardship for the environment.

### **Strategic objectives to meet new priorities**

Our cooperative work program for 2011-12 is a coherent plan to address our main priorities—promoting healthy communities and ecosystems; addressing climate change by moving to a low-carbon economy; and working with partners in the private sector to green North America's economy. This allows our government experts to deliver on the strategic objectives that will produce results and direct environmental benefits at the community, indigenous, local and regional levels.

During our meeting today in Montreal we heard from our Joint Public Advisory Committee (JPAC), members of the public, industry and nongovernmental organizations, as well as our officials about some of the work already under way.

We are focusing efforts to establish coherent approaches to manage risks posed by harmful chemicals of mutual concern to our three countries: identifying and tracking them in commerce, monitoring their impact on the environment and human health, and striving to make available the most accurate information possible throughout North America.

We are encouraged by progress on work to improve the information we gather and share among our countries regarding greenhouse gases. Having comparable information and data is vital to efforts to address climate change.

Changes to our climate will have a direct impact on our shared ecosystems, especially those that are already fragile due to biodiversity and habitat loss, water scarcity or other threats. New work in partnership with local communities that conserves the ecosystems spanning our continent will help protect vital areas such as the grasslands and the transboundary Big Bend-Río Bravo priority conservation area.

Our enforcement officials and other experts continue coordinated efforts to better manage electronic waste, along with other, sometimes illegally traded products, such as restricted ozone-depleting gases and hazardous materials. As we heard from our Joint Public Advisory Committee, their public forum considered a wide range of issues around the growing e-waste challenge facing our countries.

Recognizing the increasing impacts of natural disasters, such as forest fires and flooding, and their relation to adaptation and resilience, we have decided to explore options to strengthen collaboration in this area.

### **Creating partnerships, empowering communities**

Today, we directed \$1.4 million of the CEC budget to fund the North American Partnership for Environmental Community Action (NAPECA) to support communities in their efforts to locally address environmental problems across North America. We look forward to enhancing our partnerships and engagement with groups and individuals from our communities in projects that can be models for action throughout the region.

We ask our communities to propose innovative environmental initiatives and direct them to view the Call for Proposals, which is now available on the CEC website ([www.cec.org](http://www.cec.org)). The proposals will be reviewed this summer and the first round of grants will be announced later this year.

### **Streamlining our cooperative work**

Based on our strategic plan for 2010-15, the Operational Plan for 2011-12 focuses on delivering on our new priorities through good governance, transparency, performance evaluation, and clear goals and objectives. We are confident that this Operational Plan defines initiatives that will achieve clear environmental results that will benefit us all. We have also heard from the CEC Secretariat about ongoing efforts to renew and revitalize its operations in support of these initiatives.

We also demonstrated our commitment to Submissions on Enforcement Matters (SEM) by formally announcing a trilateral review to modernize and improve the submission process. More specifically, this work is expected to culminate, at the 2012 Council Session, in changes to the Guidelines for Submissions on Enforcement Matters under Articles 14 and 15 of the NAAEC in order to ensure that submissions are considered efficiently, effectively, and serve the interests of all stakeholders. The SEM process was established seventeen years ago; a comprehensive trilateral review is now timely and appropriate. To this end, our officials will work closely with the Secretariat and carefully consider input from the JPAC and the public.

This past year has allowed us to add significant substance to our vision for a renewed CEC, but more work remains. With important changes and new tools in place to support our communities, the coming years will enable Council to—even further—focus this organization on a set of initiatives that deliver North American solutions to global challenges. We look forward to the 2012 Council Session in the United States to further advance this work.

*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, implements the environmental provisions 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, the development of independent Secretariat reports on North American environmental issues, and a community grants program: the North American Partnership for Environmental Community Action (NAPECA). 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 2011 under the CEC's cooperative work program; a report on the North American Partnership for Environmental Community Action (NAPECA); the annual progress in the implementation of the SEM process, and a report on JPAC activities. Up-to-date information regarding CEC activities is available online at: <http://www.cec.org/news>.

During the Council session held in Montreal in June 2011, the NAAEC Parties presented some of the projects they are supporting in fulfillment of the three environmental priorities adopted in 2010: Healthy Communities and Ecosystems; Climate Change—Low-Carbon Economy, and Greening the Economy in North America. The Council highlighted efforts to establish coherent approaches to manage risks posed by harmful chemicals of mutual concern to the three countries through identification, tracking, monitoring, and striving to make available the most accurate information throughout North America. The Council also pointed to work underway to improve and making comparable information and data regarding greenhouse gases. Finally, the Council brought attention to continued coordinated efforts to better manage electronic waste along with other, sometimes illegally trade products, such as restricted ozone-depleting substances and hazardous materials. More information on the above is available at <http://www.cec.org/council>.

## 2. Cooperative Work Program

The Strategic Plan for 2010-2015 guide the CEC's work focusing on three environmental priorities: Healthy Communities and Ecosystems; Climate Change—Low-Carbon Economy; and Greening the Economy in North America.

Across the three CEC priorities, the Mapping North American Environmental Issues project has been developing map layers and datasets. In 2011, a series of maps were released, including the estimated CO<sub>2</sub> emissions for trucks and rail for 2010 and 2035 along the transportation corridor from Mexico City to Montreal; a North American forest map of eighteen different primary ecological zones, and a North American power plants map that shows fuel sources and pollution emissions for over 3,000 fossil-fueled power facilities in 2005. More information at: <http://www.cec.org/naatlas>.



Under the Healthy Communities and Ecosystems priority, the CEC will 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.

***(A) Healthy communities and Ecosystems***

***(i) Improved Health of Vulnerable Communities in North America***

The CEC has been working towards comparability of air emissions inventory information in North America since 2001, specifically on facilitating the development of comparable air emissions data for use in trans-border air quality planning, and in enhancing the availability of air emissions information in North America. In December, the update to the North American Power Plant Air Emissions report was published, reflecting ongoing collaboration of NAAEC Parties to examine contribution of fossil fuel power plant air emissions to pollution across the region. The report presents, in condensed form, updated and publicly available information on the release of specific air pollutants from more than 3,000 fossil-fuel power plants across North America. The report and its associated dataset are available online at:

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

***(ii) Increased Resilience of Shared Ecosystems at Risk***

Building upon CEC's past efforts to conserve North America's grasslands, the North American Grasslands project was launched in 2011. The project will compile management practices to promote sustainable ranching and biodiversity conservation and create a continent-wide partnership of agencies working on grassland conservation. As part of this project, the CEC contributed to ongoing grassland bird monitoring during the 2010-2011 survey season in northern Mexico. In early 2011, an updated Grasslands Priority Conservation Areas (GPCAs) of North America map was published. By the end of 2011, other project outputs included the formal establishment of a Regional Alliance for Grassland Conservation in the Chihuahuan Desert, a master plan for the management of the Chihuahuan Desert grassland, and a preliminary glossary of terms related to beef certification and standards.

Inspired by the 2010 US-Mexico Presidential Declaration of the Big Bend-Rio Bravo natural protected area of binational interest, and building upon the success of conservation efforts in the region, the CEC Council approved the Big-Bend Río Bravo project in 2011. This project highlights the importance of regional cooperation and its commitment to strengthening transboundary conservation efforts across North America. From a landscape perspective, this project will build capacity to strengthen transboundary conservation and will serve as a model for similar activities in other transboundary areas. During 2011, US and Mexican authorities and representatives from several agencies including the International Boundary and Water Commission, held discussions on the development of a science-based, binational conservation strategy for the Rio Grande/Río Bravo region; actions and benefits of invasive species management, and on sustainable economic and social tools for integrating local communities into a regional conservation strategy.

One component of a larger project that includes work to conserve the Big Bend-Río Bravo transboundary area is the North American Invasive Species Network (NAISN) consortium. The NAISN consortium is formed with experts and institutions working on the eradication of invasive species through science-based understanding of and effective response to exotic invasive species in North America. In 2011, the CEC participated at the NAISN's Board of Directors' conference call and followed NAISN's activities.

Through the North American Marine Protected Areas Network (NAMPAN) a new marine biodiversity project was launched in 2011. Focusing on community-based education and awareness of Marine Protected Areas (MPAs), this project develops a synthesis of scientific guidelines for designing marine protected area

networks in a changing climate. This project is focused on the importance of MPAs at the local level and works with the Coastal Ecosystem Learning Centers to launch a series of short educational videos. In collaboration with the International Council for the Exploration of the Sea, the project supported the development of a synthesis of scientific information on climate change impact on range and distribution of marine species and provided management tools. Lastly, two ecological scorecards for Cabo Pulmo National Park and Espiritu Santo Archipelago were released. More information at: <http://www.cec.org/marine>.

### ***(iii) Pollutant Release and Transfer Register***

Based on data reported to the Pollutant Release and Transfer Register (PRTR) of each country, the North American PRTR project involves the compilation and publication of information on the sources, amounts and handling of toxic substances released or transferred by industrial facilities in North America. The main products of this project are the Taking Stock Online, featuring on a searchable database engine, integrated North American PRTR data, and the annual Taking Stock report, which brings together this information in a format that allows stakeholders to understand the context and limitations of PRTR data and areas for further improvement. The report also features special analyses of the data, which can provide additional insights for decision-making.

In April 2011, the CEC published the 13th edition of the Taking Stock report for the 2006 reporting year, the most recent data available from the three countries at the time of its development. This edition of the Taking Stock report included a special analysis on pollutant releases to surface waters. The report also presented similarities and differences in pollutant reporting by industry sectors across North America. It also highlighted gaps in the overall picture of North American industrial pollution, which are caused by incomplete reporting, as well as differences in reporting requirements among the three countries. The online version of the Taking Stock report 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.

In 2011, the North American PRTR programs made available comparable data on publication schedules (meaning that data for a given year and/or source category might be available in one area, but not another). As a result the CEC integrated three additional years of data, through 2009. The integrated North American PRTR data will be made available in early 2012 in the online version of the Taking Stock report. The upcoming Taking Stock report will elaborate on the year-to-year changes in PRTR reporting over the last 5 years. More information at: <http://www.cec.org/takingstock>.

### ***(iv) Regional Approach to Sound Management of Chemicals***

The Sound Management of Chemicals (SMOC) program gathers senior government officials charged with setting a framework for addressing the sound management of persistent, bioaccumulative, and toxic chemicals in North America. As part of SMOC activities, North American experts are collaborating with Mexico to develop Mexico's National Chemical Inventory. Intensive work continued during 2011 with a focus on documenting the chemicals that are produced in Mexico and on compiling information on chemical substances collected by various government authorities in Mexico. Based on this work and a 2010 analysis of chemical imports, Mexico has prepared a preliminary National Chemicals Inventory. Closeout report of the North American Regional Action Plan (NARAP) on mercury, scheduled for closure as a CEC initiative, was completed. Consideration is being given to what future cooperative work might be undertaken on mercury in North America given the global focus by United Nations Environment Program. In 2011, Mexico conducted a study to identify brominated flame retardants used in small and medium sized manufacturing in the country as a basis for identify and promoting alternatives.

The Environmental Monitoring and Assessment Action Plan (EM&A Plan) continues to be an integral part of the overall SMOC program. The objective of this project is to provide comparable, reliable, relevant data

and information on persistent, bioaccumulative, toxic chemicals (PBTs). In 2011, the national monitoring and evaluation network in Mexico (*Programa Nacional de Monitoreo y Evaluación—Proname*) continued to grow, through the addition of a fourth site located in Coatzacoalcos, Veracruz. A Proname web microsite was also developed to provide general information on the program and to allow access to environmental monitoring results as they become available. The Proname web microsite will allow the public and the expert community to have a first portrait of environmental contamination and trends, in North America with a particular focus on Mexico. Decision-makers will benefit from early warning information and trends analysis both domestically and regionally. Part of the EM&A Plan is the continued emphasis on adoption of quality assurance/quality control protocols for analytical chemistry and data reporting and producing results validated on a continental scale.

#### ***(v) Trade and Enforcement of Environment Law***

The North American Working Group on Environmental Enforcement and Compliance Cooperation (i.e. Enforcement Working Group or EWG) is tasked with enhancing compliance with and strengthening enforcement of environmental trade laws in North America. The EWG is composed of senior-level environmental law enforcement officials from North America. More information at:

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

In 2011, the EWG started a project that calls for the implementation of an intelligence-led approach to regional environmental and wildlife enforcement. This project focuses on the transboundary movements of e-wastes and wildlife. Initial findings and information germane to the implementation of this project were provided at the public meeting of the CEC's Joint Public Advisory Committee and are available at

<http://www.cec.org/ewaste2011>.

The EWG completed the *Environmental Legislation in North America: Experiences and Best Practices for its Implementation and Adjudication*, a publication that builds on conferences, presentations and lectures delivered as part of a CEC three-year initiative on sharing expertise in the implementation and adjudication of environmental law in the region. The publication is available at the website of the *Instituto de Investigaciones Jurídicas, Universidad Nacional Autónoma de México*: <http://biblio.juridicas.unam.mx>.

#### ***(B) Climate Change-Low-carbon Economy***

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.

In 2011, the CEC started a new project to develop methodologies to estimate the amount of carbon stored in ecosystems across North America. As part of this initiative, the project is supporting the North American Land Cover Monitoring System, a system to develop spatially and temporally consistent information for assessing land cover and land cover change. A continental methodology and protocol for land cover change detection was developed by experts in 2011 and is being integrated into carbon stock accounting and measurement, particularly in relation to developing strategies to reduce emission from deforestation and degradation (REDD) in Mexico.

#### ***(C) Greening the Economy in North America***

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 the private sector in areas such as state-of-the-art green building design, and the movement of used electronics and other e-wastes.

On December 2011, a Trilateral Green Building Construction Task Force was launched. Its main objective is to determine the best way to drive the changes needed that will better support the construction of green

buildings and use of green building materials in North America. Their activities will enhance the exchange of information, promote mutually beneficial cooperation in areas of convergence, effectively integrate Green Building practices, and identify opportunities for concrete areas of convergence among the three countries.

In February 2011, the CEC hosted the first workshop on environmentally sound management of used and end-of-life electronics in small and medium enterprises in the recycling and refurbishing industry in Guadalajara, Mexico. This meeting brought together key players from the government and the private sector to discuss the breadth and depth of knowledge on environmentally sound management in this sector. More information at: <http://www.cec.org/ewaste>.

During 2011, the CEC re-engaged key automotive companies in the development and implementation of green automotive supply-chain programs across North America. This project allowed both Canada and Mexico to benefit from initial efforts experienced in the United States and build trilateral cooperation, as well as support the sharing of information and practices that will enhance the environmental and economic performance of the North American automotive supply chain. One of the most important tasks of this project was the launching of a Mexican Supplier's partnership, the *Alianza Verde Automotriz*. This organization will provide the Mexican automotive original equipment manufacturers and their suppliers, the opportunity to address new, innovative and voluntary environmental sustainability projects. As part of the short-term goal for the project, a meeting was held in Toronto in December to begin organizing a Canadian Supplier's Partnership. This partnership aims to create and expand business-driven self-supported auto supplier partnerships, reduce environmental impacts, and improve economic capacity in Canada.

In 2011, the CEC continued its ongoing work on the environmental assessment of NAFTA. A panel of experts, established by the NAAEC Parties, was charged with preparing a report that summarizes available information on the environmental effects of NAFTA since its inception. The panel will provide recommendations on new approaches to undertake assessing the environmental effects of trade liberalization in North America. In October, the first phase of the report was completed, which considered existing and historical practices used to assess the environmental effects of NAFTA. The second phase of the report will be developed during 2012 and will focus on how to shape future practices in light of strengths and weaknesses identified in the first phase. The report will propose a new framework for assessment and will focus on two NAFTA sectors as case studies: bio-fuels and e-waste.

**Commission for Environmental Cooperation  
Financial report - Cooperative Work program  
Projects**

(Thousands of Canadian dollars)

Project Title	2011 annual budget	Total Expenses
<b>HEALTHY COMMUNITIES AND ECOSYSTEMS</b>		
<b>Improved Environmental Health of Vulnerable Communities in North America</b>	<b>460.5</b>	<b>421.3</b>
Improving Indoor Air Quality to reduce exposure to Airborne Contaminants, Including Fine Particulates and Chemical Compounds in Alaskan Native Populations and other Indigenous Communities in North America	283.5	279.6
Capacity Building to Improve the Environmental Health of Vulnerable Communities in North America	177.0	141.6
<b>Increased Resilience of Shared Ecosystems at Risk</b>	<b>879.0</b>	<b>744.2</b>
North American Grasslands: Management Initiatives and Partnerships to Enhance Ecosystem and Community Resilience	285.0	283.4
Big Bend-Rio Bravo Collaboration for Transboundary Landscape Conservation / North American Invasive Species Network	509.0	363.8
Engaging Communities to Conserve Marine Biodiversity through NAMPAN	85.0	97.0
<b>Pollutant Release and Transfer Registers (PRTR)</b>	<b>130.0</b>	<b>116.1</b>
Tracking Pollutant Releases and Transfers in North America (North American PRTR Project)	130.0	116.1
<b>Enhanced Regional Approach to Sound Management of Chemicals</b>	<b>891.5</b>	<b>792.2</b>
Approaches for Identifying and Tracking Chemicals in Commerce in North America	326.0	280.5
Risk Reduction Strategies to Reduce the Exposure to Chemicals of Mutual Concern	280.5	255.4
Environmental Monitoring and Assessment of Chemicals of Mutual Concern	285.0	256.3
<b>Strengthening Regional Environmental and Wildlife Law Enforcement</b>	<b>242.0</b>	<b>134.9</b>
Enhancing Environmental Law Enforcement in North America	242.0	134.9

<b>CLIMATE CHANGE-LOW-CARBON ECONOMY</b>		
<b>Improved Comparability of Emissions Data, Methodologies and Inventories Among the Three North American Partners</b>	<b>140.0</b>	<b>96.3</b>
Improving Comparability of Emissions Data, Methodologies and Inventories in North America	140.0	96.3
<b>Engagement of Experts and Strengthened Information Sharing in Climate Change and Low-Carbon Economy</b>	<b>330.0</b>	<b>247.2</b>
Ecosystem Carbon Sources and Storage: Information to Quantify and Manage for Greenhouse Gas Emissions Reductions	250.0	205.1
North American On-line, Interactive Informational Platform on Climate Change	80.0	42.1
<b>GREENING THE ECONOMY IN NORTH AMERICA</b>		
<b>Improved Private Sector Environmental Performance in North America</b>	<b>305.0</b>	<b>228.0</b>
Improving Conditions for Green Building Construction in North America	60.0	22.7
Improving the Economic and Environmental Performance of the North American Automotive Industry Supply Chain	80.0	60.6
Sound Management of Electronic Wastes in North America	165.0	144.7
<b>Projects</b>	<b>3,378.0</b>	<b>2,780.2</b>

### 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 April 2011, the Sustainable Freight Transportation report was released. The report draws upon knowledge, expertise, and perspectives of more than sixty transportation experts, government officials, operators, and other key stakeholders, to make recommendations for actions that we believe will make a profound contribution to the environmental sustainability of the North American transportation system. The report concludes that the policies, regulations, and incentives necessary to accomplish sustainable transportation-at a continental scale-will also make our freight system more efficient, competitive, and energy-secure.

The report looks at the continental freight transportation network, a key component of the transportation sector, which is the second-largest source of GHG emissions in North America. The report finds that while emissions from light-duty vehicles are expected to drop by 12 percent by 2030, freight truck emissions are projected to increase by 20 percent. The report also considers the efficiency (and inefficiencies) in the current system, as well as considering the aggressive investments that other trade blocs are making in new infrastructure and lower-carbon transportation—investments that may be outpacing efforts in North America.

Recommendations in the report on Sustainable Freight Transportation include: i) a ministerial-level North American Transportation Forum that will work in cooperation with an industry, expert and stakeholder group to foster an integrated, intelligent freight transportation system; ii) carbon pricing and system efficiency synergies between the NAAEC Parties; iii) further investments to improve efficiency of the freight transportation system; iv) improved management of transportation systems in transportation agencies, and businesses operating nationally and across international borders; v) training of eco-drivers to optimize environmental and economic performance by driving in ways that conserve energy, and vi) gathering and sharing transportation, environmental and statistical data through the North American Transportation Statistics Interchange. More information at: <http://www.cec.org/freight>.

### 4. North American Partnership for Environmental Community Action

Improving environmental conditions across North America is a challenging task. Individual investments made by each country can achieve greater success if a shared sense of responsibility and stewardship is developed at the community level. This can be accomplished when government efforts are supported and complemented through strong partnerships with stakeholders and the public in all three North American countries. With this in mind, the CEC Council established NAPECA in 2010 to support communities in their efforts to address environmental problems locally. NAPECA will play an integral part in achieving CEC priorities to support healthy communities and ecosystems, encourage activities that address climate change through the transition to a low carbon economy, and advance innovative projects that could assist in greening the economies of the three countries.

In June, the CEC Council issued a North America-wide Call for Proposals for projects to be implemented in 2012-2013. The NAPECA Call for Proposals generated an outstanding response and the CEC received some 500 requests from nongovernmental organizations, community associations, environmental groups and academic institutions from all corners of North America. To ensure these projects achieve measurable objectives and deliver clear and tangible results, grant selection criteria was established. These criteria, along with information regarding the application process, were described in the Call for Proposals and the



NAPECA Guidelines. Communities from the Yukon to Chiapas outlined plans to tackle important environmental issues. Project proposals varied widely in themes and scope, examples included: capacity-building for rural communities; development of forest carbon-measurement skills; creating local jobs through organic farming; ecotourism; use of new energy sources; reduce of toxic substances exposure, and water quality improvement. A total of \$1.4 million will be directed to the grant program on a biannual basis. More information at: <http://www.cec.org/napeca>.

## 5. 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(s) by a Party to effectively enforce its environmental law. The process is informed by the Guidelines for Submissions on Enforcement Matters under Articles 14 and 15 of the NAAEC (SEM Guidelines). More information at <http://www.cec.org/citizen>.

In 2011, the Council committed to reviewing and “modernizing” the SEM Guidelines. Representatives of the NAAEC Parties met during 2011 in order to discuss potential the SEM process and, once agreement is reached on changes to the Guidelines, to engage in public consultation on such changes in 2012. Following this process, JPAC organized a meeting in El Paso in November to discuss findings of a survey to consult past submitters on the effectiveness of the SEM process (see JPAC below).

Between the 1994 entry into force of the NAAEC and 2011, seventy-eight submissions have been filed with the Secretariat: twenty-eight concerning Canada, forty concerning Mexico, nine concerning the US, and one concerning both Canada and the US. During that time, the Secretariat has dismissed or terminated sixty-six submissions: Twenty-five submissions did not warrant further consideration based on Article 14(1) or (2); eighteen were dismissed following the concerned Party’s response; and five others have been withdrawn. Through December 2011, the CEC has recommended twenty-six factual records to the Council. In two cases, the Council voted against the Secretariat’s recommendation to develop a factual record. The Secretariat has published fifteen factual records.

During 2011, the Council instructed the Secretariat to cease preparation of the factual record on the Species at Risk submission, consequence of the Submitters’ request to withdraw the submission. Regarding factual records, the Secretariat continued its work on the development of three other factual records (Quebec Automobiles, Lake Chapala II, and Coal-fired Power Plants); submitted the Quebec Automobiles draft factual record to the Council, and began incorporating comments received from the governments of Canada and Mexico on this draft factual record. The Secretariat determined not to recommend the preparation of a factual record regarding two submissions (Los Remedios National Park II and Skeena River Fishery), and not to request a response from Mexico regarding the Bicentennial Bridge submission. The Secretariat continued its review to determine whether the Wetlands in Manzanillo submission warranted the development of a factual record. The Secretariat also requested a response from Canada regarding the Iona Wastewater Treatment submission, and reviewed the Alberta Tailings Pond revised submission to determine whether it meets the criteria of Article 14(1). Council’s decisions on whether to instruct the Secretariat to develop two factual records remained under consideration during 2011 (Environmental Pollution in Hermosillo II; and consolidated submissions Ex Hacienda El Hospital III and Ex Hacienda El Hospital II).



The Secretariat also reviewed three new submissions. The first was the PCB Treatment in Grandes-Piles submission, asserting that Canada, and more specifically the province of Quebec, is failing to effectively enforce Quebec's Environment Quality Act and the Regulation Respecting the Burial of Contaminated Soils by issuing a permit for the use of chemical oxidation to treat PCB-contaminated soils without evidence that the process works. In the latter case, the Secretariat reviewed the submission to determine whether it meets the Article 14(1) criteria. Second, was the Sumidero Canyon II submission, asserting that Mexico was failing to effectively enforce its environmental laws with respect to the operations of a limestone quarry, which was allegedly causing damage to the Sumidero Canyon in Chiapas, Mexico. In the latter case, the Secretariat reviewed the submission to determine whether it meets the Article 14(1) criteria. In the third new submission, the Protection of Polar Bears submission, the Submitter asserted that Canada was failing to effectively enforce Canada's Species at Risk Act (SARA) by failing to list the polar bear in a timely manner as a threatened or endangered species, and thus—as asserted by the submitters—"denying the bear any substantive legal protections under SARA." The Secretariat reviewed the latter submission to determine whether it meets the Article 14(1) criteria.

## 6. Report from the CEC's Joint Public Advisory Committee

JPAC is composed of fifteen citizens (five from each country) and its main role is to advise the Council on any matter within the scope of the North American Agreement on Environmental Cooperation, and to serve as a source of information for the CEC Secretariat. More information at: <http://www.cec.org/jpac>.

In January, JPAC provided Advice to Council 11-01 addressing the CEC's potential role in defining, measuring and developing compatible approaches for greening the North American economy; potential sectors for CEC focus; NAFTA barriers to greening the economy and potential role of the CEC; the importance of renewing efforts to finalize a North American Trans-boundary Environmental Impact Assessment agreement, and the need for an improved CEC communications and outreach strategy.

JPAC members met with the US National Advisory Committee and US Government Advisory Committee to discuss synergies with JPAC and took part in a field trip to Plaquemines Parish, Louisiana to learn about the impacts of the Deepwater Horizon disaster and other consequences in communities and ecosystems in the area of the Mississippi delta and the Gulf of Mexico.

In April, JPAC held its first regular session in Mexico City to discuss upcoming CEC cooperative work, the SEM process and the environmental impact of freight transportation in North America. The session focused on proposed projects under the Council's priority areas and addressed the effectiveness, timeliness and fairness of the SEM process. JPAC also led a roundtable at *Tecnológico de Monterrey* to discuss key findings and recommendations of the Secretariat Report on Sustainable Freight Transportation (see above).

In May and upon review of the 2011–2012 CEC Operational Plan and after considering comments from the public, JPAC members provided Advice to Council 11-02. JPAC noted how several comments remarked positively on the work done to date by the CEC and underscoring the importance of open dialogue and transparency, in improving the effectiveness of the CEC projects. The issue of effective communication surfaced as a concern as in previous meetings, in particular the lack of public awareness of the activities of the Commission. JPAC acknowledged however, the intention of the parties in developing an updated and expanded communications strategy, and offered to contribute throughout the process. Specific recommendations on several of the projects under the 2011-2012 CEC Operational Plan were also provided.

In June, JPAC members held a meeting in conjunction with the CEC Council regular session to discuss the rapidly growing amount of electronic waste in North America, and ways the NAAEC Parties can promote better management of e-waste through product design, recycling and enforcement cooperation to halt illegal e-waste trade. As a result, JPAC members provided Advice to Council 11-03 on Managing E-waste in North America. In its Advice, JPAC submitted recommendations on the use of a broader definition of e-waste to encompass a wider range of hi-tech components, devices, and appliances; the inclusion of global players on the e-waste business; the importance of bringing consumers and producers on board; the endorsement of the principles of the Basel Ban Amendment of the Basel Convention by the NAAEC Parties and the procurement and training and tax incentives e-waste policies.

In order to obtain a detailed picture of experiences with the SEM process, JPAC conducted a consultation with past submitters through a questionnaire. Responses to the questionnaire were consolidated in a report, in which submitters overwhelmingly voiced concern that the SEM process is not being administered consistent with the spirit and intent of the NAAEC. The prevailing public perception is that the credibility of the SEM process has been seriously eroded, primarily because of untimely action and resistance to full transparency and independent review by the Council and the Parties.

In November, and following the release of the latter questionnaire, JPAC hosted a public meeting in El Paso, Texas featuring perspectives from submitters and providing an overview of responses to the questionnaire on the SEM process. The meeting also focused on the cross border movement of chemicals in North America; impacts on human's health and the environment; CEC's work on cross-border transfers database and mapping tool through Taking Stock Online, and a hazardous waste and recyclable materials tracking system developed by enforcement officials in the three countries.

In December, JPAC provided Advice to Council 11-04 which contained recommendations on the SEM process and the Cross Border Movements of Chemicals in North America. JPAC emphasized the need to restore public confidence on the SEM process as the issues that were raised included timely process of submissions; the inconsistency of outcomes of the process with submitter's expectations and the limited and information provided in NAAEC Parties responses to submissions. JPAC commended the Council for creating the SEM Modernization Task Force and advised that the Task Force should focus on the timeliness and accessibility of the process, increased deference to the Secretariat's independent recommendations and interpretations in the process and on follow-up to factual records.

Regarding the Cross Border Movements of Chemicals, JPAC voiced concern over an alarming increase in toxic waste, as well as lead poisoning and other hazardous consequences resulting from the cross-border movement of spent lead-acid batteries to Mexico. After referencing a CEC report released in 2007, JPAC noted that serious concerns identified in the report appear to have worsened since it was published, and that industry workers and communities adjacent to recycling facilities are regularly exposed to levels of lead toxicity that are extremely dangerous to human health. As a result JPAC recommended protecting vulnerable communities in North America, focusing in workers, inhabitants and especially children and that the CEC conduct a follow-up to the 2007 report.

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

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## Country Reports

2011 Country Progress Report

Country Report on Implementation of the Commitments Derived from the NAAEC

PART I: Government of Canada

**Significant Successes**

*Strategic Initiatives*

- In 2011, the oil sands integrated monitoring plan covering water quality and quantity, air quality, and biodiversity, was launched. This will bring the comprehensive and transparent environmental monitoring required to support environmentally sustainable development in this important global resource. The program is scientifically rigorous and significantly increases and improves environmental monitoring in the oil sands.
- Environment Canada published in 2011 the proposed Recovery Strategy for Boreal Caribou. This recovery strategy was the culmination of several years of intense scientific study, the gathering of aboriginal traditional knowledge, and consultations with stakeholders. The recovery strategy has received an unprecedented number of comments—over 12,000 comments to date.
- Canada's world-leading Chemicals Management Plan was updated and provided funding for its next phase, including: completing assessments of 500 substances across nine categories including phthalates, primarily used in plastics; and, investing in additional research for substances like bisphenol A, flame retardants, substances that affect hormone function, and substances that affect the environment.

*Funding for 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 2011:

- An investment of \$34.8 million in meteorological and navigational warning services in the Arctic, to provide enhanced accessibility to weather data and navigational shipping information for mariners, economic sectors and the general population of the North.
- An investment of \$600.8 million over five years to renew the Clean Air Regulatory Agenda (CARA), which has served as the framework for the Government to reduce greenhouse gas emissions and improve air quality since 2006.
- As of March 2011, the Natural Areas Conservation Program has protected 160,796 hectares of habitat, which includes habitat for 101 species at risk.

**State of Environment**

- In 2011 the Air Quality Health Index became available in all ten provinces. The Air Quality Health Index helps Canadians protect their health by limiting exposure to air pollution and adapting their activities when levels of air pollution are higher. For more information see: <http://www.ec.gc.ca/indicateurs-indicators/>.

## **Legal and Policy Developments**

### *GHG Emissions reductions*

- Draft regulations for coal-fired electricity facilities were published in Canada Gazette I. This is the first time draft GHG regulations have been published for a major industrial emitting sector, an important step towards the government's 2020 GHG reduction target.
- In moving forward on a common Canada-United States approach to limit greenhouse gas emissions from new on-road heavy-duty vehicles, a consultation paper was released on the development of proposed regulations. This consultation paper provides another opportunity for members of the public to submit comments prior to publishing proposed regulations in Canada Gazette Part I.
- As part of the Renewable Fuels Strategy, the Government moved ahead with the 2% renewable content requirement in diesel fuel and heating oil that will further strengthen the market for renewable fuels in Canada, while supporting its commitment to reduce Canada's total greenhouse gas emissions by 17% from 2005 levels by 2020. The initiative also demonstrates how agriculture can contribute to reducing Canada's environmental footprint.

### **Other Regulatory Developments**

- Building on the National Polar Bear Conservation Strategy, the Minister of Environment declared the polar bear as a species of special concern under the Species at Risk Act. As a result of the listing, a management plan must be prepared within three years. Extensive consultations were held with provincial and territorial governments, regional wildlife management boards, Aboriginal peoples and other stakeholders. The vast majority supported the listing.
- The regulatory process was begun to prohibit the manufacture, import, and sale of most mercury-containing products in Canada. The proposed regulations would eliminate about four and a half tonnes of mercury in products currently entering the Canadian marketplace each year.

### **Government Enforcement**

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

- An investigation conducted by Environment Canada officers lead to a record seizure of more than \$1 million worth of a toxic substance imported illegally by Gestion Alexis Dionne Inc. The company and its president, Mr. Alexis Dionne, accepted responsibility for the illegal importation of approximately 120,000 kg of chlorodifluoromethane (HFCF-22), a gas used in the refrigeration industry.
- Teck Metals Ltd.'s was sentenced to a \$325,000 fine for depositing mercury into the Columbia River, and allowing a leachate to overflow into Stoney Creek.
- Imperial Oil Resources NWT Ltd. was found guilty in of releasing a harmful substance into fish-bearing waters, and violating conditions of its water license, after a collaborative effort by Environment Canada and Aboriginal affairs and Northern Development Canada investigators. The company was fined a total of \$185,000.

## PART II: PROVINCIAL GOVERNMENTS

### ALBERTA

#### **Significant Successes**

##### *Oil Sands Information Portal*

- The Oil Sands Information Portal was launched in fall 2011—the portal features searchable data, highlighting such things as facility-specific water use, greenhouse gas emissions, tailings pond size and land disturbance and reclamation; and an interactive map with real-time regional air quality information and river flow data. It also provides a downloadable data library with easy access to environmental impact assessments, water approvals and licenses, and compliance reporting. The portal can be accessed at: [www.osip.ab.ca](http://www.osip.ab.ca)

##### *Air Quality*

- Alberta adopted the federal Air Quality Health Index in July 2011—a new tool for understanding and measuring air quality. The AQHI is measured in more than 20 communities across Alberta; data is reported hourly and includes a forecasting feature. The AQHI works on a scale from 1 to 10 to determine the health risk for the general population and for those with respiratory conditions. The lower the number, the lower the health risk.
- The Governments of Alberta and British Columbia invested in the BlueSky Western Smoke Forecasting System. The system gives residents of the two provinces up to 48 hours notice of smoke from forest fires.

### MANITOBA

#### **Significant Successes**

- The Manitoba Conservation Data Centre (MBCDC) was named the outstanding natural heritage program in the Americas, receiving the 2011 Conservation Impact Award from the Nature Serve network. The award was in recognition of its partnerships with Manitoba Hydro and the Manitoba Habitat Heritage Corporation (MHHC). Locations of species at risk catalogued by MBCDC were used by MHHC during the process of acquiring 43 Conservation Agreements that secured 3,816 hectares (9,431 acres) of native habitat for conservation. MBCDC data were also used by the province's Protected Areas Initiative to ensure that candidate protected areas encompass lands supporting provincially rare plant and animal species.
- The Pimachiowin Aki UNESCO world heritage project, a collaboration of five First Nations and the Provinces of Manitoba and Ontario, continued the work of securing world heritage status for the largest protected area network in the North American boreal shield. Pimachiowin Aki, Ojibwe for “the land that gives life”, is the name given to the area covering 33,400 square kilometres (12,896 square miles) of intact boreal forest and pristine waterways on the east side of Lake Winnipeg. Inclusion on the UNESCO World Heritage List is being sought on both natural and cultural criteria.
- A new Endangered Species and Biodiversity Fund was established to support non-profit organizations collecting inventory and monitoring data for species of concern. These species include flora and fauna such as the Piping Plover, Woodland Caribou, Prairie Skink and various flowers and their associated insect pollinators.
- Turbines were set in motion on Manitoba's largest wind farm near the town of St Joseph. This 138 megawatt project complements Manitoba's other renewable energy assets, namely hydroelectricity,

geothermal and biofuels production. The St Joseph facility joins the previously commissioned St Leon wind farm which was expanded to 120 megawatts, also in 2011.

- Manitoba's 2011 Budget continued funding for a number of successful greenhouse gas reduction programs including: Trees for Tomorrow, the Manitoba Sustainable Agricultural Practices Program (MSAP), wetland restoration, geothermal energy incentives and the Community-Led Emissions Reduction (CLER) program. Up to half of greenhouse gas emissions in Canada are under the direct or indirect control of Municipalities, and the CLER program supports grassroots and local climate-change initiatives aimed at developing projects that support the greatest immediate emissions reductions and build toward sustainable long-term changes.

### **State of the Environment**

- The "State of Lake Winnipeg" report was released by the Province of Manitoba and the Government of Canada in July 2011. The report is a collaborative effort by researchers from provincial and federal agencies, universities, and nongovernmental organizations, and is the first comprehensive assessment of the physical, chemical, and biological characteristics of Lake Winnipeg since intensive lake monitoring began in the late 1990s. The report will serve as a reference to measure progress on reducing nutrient loading, will help in the assessment of the overall health of the lake, and provide data to support current and future research.
- GeoManitoba, Manitoba's mapping and geographic information service, together with the Canadian Space Agency, mapped many of the areas flooded in Spring 2011 using remote sensing technology and Radarsat 2 imagery. Key areas flooded were Lake Manitoba, the Shoal Lakes, Lake St Martin, Spruce Woods, Lake Winnipeg and Whitewater Lake.
- The Fisheries Branch of Manitoba Conservation and Water Stewardship collaborated with researchers from the University of Nebraska on a series of projects to understand and improve management of the Red River's valuable Channel Catfish fishery. Important population demographic and food web information was collected.
- Manitoba received and published a report it had commissioned from its Active Transportation Advisory Group. The report, titled: "Greater Strides: Taking Action on Active Transportation" provided a number of recommendations around Active Transportation (AT) that would contribute to the economic, social and environmental well-being of Manitobans. The Government subsequently adopted a three year, four point action plan to focus on improved coordination, support and promotion of AT, to improve health, reduce transportation costs, reduce greenhouse gas emissions and help make Manitoba's cities and towns more livable.

### **Government Enforcement**

- Manitoba reported 27 prosecutions under the Environment Act and related Regulations for the 2010-11 fiscal year. Fines levied as a result totaled \$18,436.

### **Legal and Policy Developments**

- The protected coastline of Kaskatamagan Wildlife Management Area (WMA) was officially counted in Canada's inventory of Marine Protected Areas. This WMA captures the transition from brackish tidal mudflats exposed at low tide, to wetland-dominated inland plains characteristic of the Coastal Hudson Bay Lowlands, providing breeding habitat for significant populations of migratory birds, big game species, and furbearers typical of the area. Beluga, Polar Bear, and coastal populations of Caribou can all be found in this area at the same time for a few weeks each year. These protected lands are free from logging, mining, hydroelectric development, oil and gas development, and other activities that could adversely affect habitat. The total size of the WMA is 5,588 square kilometres (2,158 square miles) and



it lies within the traditional territory of Shamattawa First Nation, and within the York Factory First Nation Resource Management Area.

- The Forest Act was proclaimed in March 2011, with accompanying Forest Use and Management regulations. The Act emphasizes timber administration and pricing; timber tracking and scaling; and enforcement, penalties and offences. This was the first significant amendment to Manitoba's Forest Act since it was first enacted, and the first significant amendment to the Forest Use and Management Regulations since 1988.

## QUÉBEC

### Significant successes

#### *Combating climate change*

- The Regulation respecting a cap-and-trade system for greenhouse gas emission allowances was adopted in December 2011 ([http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q\\_2/Q2R46\\_1.HTM](http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q_2/Q2R46_1.HTM)). This regulation forms the basis of Québec's participation in the North American carbon market. According to the most recent data published in the Québec inventory of greenhouse gas emissions (2009), a 2.5-percent reduction in greenhouse gas emissions from 1990 levels was observed.

#### *Reduction in air pollution*

- The Clean Air Regulation came into effect on 30 June 2011 ([http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=2&file=/Q\\_2/Q2R4\\_1.htm](http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=2&file=/Q_2/Q2R4_1.htm)). This regulation increases protection of air quality by reducing and monitoring atmospheric pollutants.

#### *Waste management*

- The Québec Policy on Residual Materials (<http://www.mddep.gouv.qc.ca/matieres/pgmr/>) and the 2011–2015 Action Plan (<http://www.mddefp.gouv.qc.ca/matieres/pgmr/plan-action.pdf>) were announced on 15 March 2011. These measures are part of the implementation of a responsible waste management strategy.
- The Act to amend the Environment Quality Act as regards residual materials management (<http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=5&file=1999C75F.PDF>) and to amend the Regulation respecting compensation for municipal services provided to recover and reclaim residual materials ([http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q\\_2/Q2R10.HTM](http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q_2/Q2R10.HTM)) was given assent on 13 June 2011. In addition, the Regulation respecting the recovery and reclamation of products by enterprises ([http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q\\_2/Q2R40\\_1.HTM](http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q_2/Q2R40_1.HTM)), which came into effect on 14 July 2011, extends the approach of broadened producer responsibility to electronics, mercury lamps, and batteries.

#### *Sustainable water management*

- Since 1 January 2011, companies removing large volumes of water are subject to fees for this water. The fees help support integrated water management and knowledge acquisition about water. In addition, the Ministry of Sustainable Development, Environment and Parks (*ministère du Développement durable, de l'Environnement et des Parcs*—MDDEP) currently known as the Ministry of Sustainable

Development, Environment, Wildlife and Parks (*ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*—MDDEFP) continued the gradual implementation of its watershed-based integrated water management system throughout southern Québec (<http://www.mddefp.gouv.qc.ca/eau/bassinversant/index.htm>). As of 31 March 2011, the 40 planned watershed organizations had been founded, and 30 master water plans had been submitted, 15 of which have been approved. Five million dollars has been set aside to support these watershed organizations. Also in 2011, the Québec strategy for drinking water conservation, in follow-up to the Québec Water Policy, was adopted (<http://www.mamrot.gouv.qc.ca/grands-dossiers/strategie-quebecoise-deconomie-deau-potable/a-propos-de-la-strategie/>).

#### *Administrative penalties of the Environment Quality Act*

- The *Act to amend the Environment Quality Act in order to reinforce compliance* came into effect on 4 November 2011. The amendments introduce new administrative penalties and penal sanctions, as well as new powers to issue orders to increase environmental safety through greater powers of supervision (<http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=5&file=2011C20F.PDF>).

#### **State of the Environment**

- In 2011, the MDDEP disseminated 20 new state of the environment documents (list available) on its own website and those of its agencies or of one of its partners.
- Among its publications in 2011, Québec issued fifth-year results of the 2006–2012 Action Plan on climate change, a report on the implementation of the Government Sustainable Development Strategy 2008–2013 for the year 2009–2010, (<http://www.mddefp.gouv.qc.ca/publications/2011/env20110223.htm>), and an inventory of Québec greenhouse gas emissions in 2009 and how they have changed since 1990 (<http://www.mddefp.gouv.qc.ca/publications/2011/env20111104.htm>). It also published a 2003–2009 Summary Assessment Report of the Québec Water Policy (<http://www.mddefp.gouv.qc.ca/publications/2011/env20110825.htm>) and a report on the implementation of the Convention on Biological Diversity in Québec (1992–2010) (<http://www.mddefp.gouv.qc.ca/publications/2011/env20110722.htm>).
- Finally, 40 environmental analysis reports were disseminated on the MDDEP website in 2011 (<http://www.mddep.gouv.qc.ca/evaluations/lisproan.htm>).
- As part of the implementation of the recommendations of the Parliamentary Committee on Transportation and the Environment, The MDDEP disseminated a plain-language document on the first list of sustainable development indicators in 2011.

#### **Government Enforcement Measures**

##### MDDEP

- In 2011, the MDDEP employed 281 inspectors;
- 159 statements of offence were forwarded by the MDDEP to the Director of criminal and penal prosecution;
- 17,665 inspections in the field and 254 investigations were carried out by MDDEP inspectors and investigators;
- 5,813 authorizations were issued under the *Environment Quality Act* (<http://www.mddefp.gouv.qc.ca/ministere/certif/index.htm>);

- 66 industrial facilities hold MDDEP depollution attestations, 48 under the 1st decree and 18 under the second;
- 7,284 notices of violation (notices of non-compliance and letters of warning) were sent;
- 54 authorized entries and search warrants were carried out by MDDEP investigators;
- 8 advance notices of orders and 9 orders were issued;
- 88 press releases related to fines of over \$2,000 for infractions committed under environmental laws and regulations were published ([http://www.mddep.gouv.qc.ca/Infuseur/mois\\_condamnations.asp](http://www.mddep.gouv.qc.ca/Infuseur/mois_condamnations.asp));
- 164 people were convicted of offences, resulting in fines totalling \$1,187,300.

#### MRNF

- During the 2010–2011 fiscal year, MRNF took action in 1,053 cases related to fish habitat, resulting in 170 charges being laid.
- In 2010–2011, the MRNF published 15 press releases related to presumed infractions or convictions (<http://www.mrn.gouv.qc.ca/presse/communiqués.jsp>).

#### Legislative and political developments

- Enactment of the following laws and regulations:
- Regulation to amend the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere (enacted December 2011)
- Clean Air Regulation (came into effect 30 June 2011)
- Regulation respecting the framework for authorization of certain projects to transfer water out of the St. Lawrence River Basin (came into effect 1 September 2011)
- Regulation to amend the Regulation respecting the declaration of water withdrawals (came into effect 1 September 2011)
- *An Act to amend the Environment Quality Act as regards residual materials management and to amend the Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* (assent given 13 June 2011)
- *An Act to amend the Environment Quality Act in order to reinforce compliance* (adopted 4 October 2011). The new provisions came into effect on 4 November 2011, with the exception of the penal sanctions, which came into effect on 1 February 2012.
- Regulation to amend the Regulation respecting environmental standards for heavy vehicles (enacted 2 March 2011)
- Area of protected areas increased to 136,042 square kilometres on 31 March 2011, representing 8.16 percent of Québec's territory.
- The Canada-Quebec Agreement on the St. Lawrence 2011–2026 (signed on 29 November 2011) will continue the Canada-Québec partnership in the conservation of the St. Lawrence River, in particular through integrated management of the river. The agreement provides for \$70 million to be jointly invested by the governments of Québec and Canada over a five-year period to carry out actions identified in the St. Lawrence Action Plan.  
(<http://www.mddefp.gouv.qc.ca/infuseur/communiqué.asp?no=2006>)

## Mexico Progress Report, 2011

## Country Report on Implementation of the Commitments Derived from the NAAEC

## Introduction

The information contained in this section of the *2011 Annual Report*, referring to the period from 1 September 2010 to 31 August 2011, 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).

Most significant successes in fulfillment of obligations under the agreement:

- As of July 2011, 31 emblematic species were monitored in federal protected natural areas (*áreas naturales protegidas*—ANPs), representing 77.5% completion of the six-year target. These species include the gray whale, monarch butterfly, American crocodile, volcano rabbit and sea lion.
- In the framework of the biological monitoring program, monitoring was conducted at the Veracruz Reef System National Park to determine the conservation status of the park's coral reefs. Using the methodology proposed by the Reef Environmental Education Foundation, 103 species, 57 genera and 29 families were identified on the three reefs that make up the C-50 artificial reef.
- In late 2010, in the framework of the Species Conservation Action Program (*Programa de Acción para la Conservación de Especies Prioritarias*—PACE) undertaken by Conanp, 58 committees were established and strengthened for the stewardship of 12 priority species. During the January-July 2011 period, 22 PACE programs were carried out for the following species: vaquita, Mexican wolf, golden eagle, jaguar, leatherback sea turtle, loggerhead sea turtle, Kemp's ridley turtle, hawksbill sea turtle, olive ridley sea turtle, chelonians (Galapagos green turtle and green sea turtle), pronghorn, bison, tapir, peacock, yellow-headed parrot and yellow-naped parrot, California condor, hunchback whale, manatee, acropora coral, black bear and thick-billed parrot.
- At the northern border, a cumulative total of 6,490 hectares are in the process of restoration at federal ANPs, more than double the area slated for 2010.
- From 1 September 2010 to 31 August 2011, 768 wildlife conservation management units (*Unidades de Manejo para la Conservación de la Vida Silvestre*—UMA) were added to the UMA system (727 open-management units and 41 intensive-management units), with a total area of 1,574,607 hectares.
- From September to December 2010, the following key fauna and flora species were included to foster UMAs: Mexican salamander, Morelet's crocodile, iguana, lowland paca, white-tailed and

brocket deer, jaguar, puma, peccary, wild turkey, pigeon, duck and quail. Flora groups of interest included the palm, orchid and zamia. A total of 42 fauna species and 25 flora species were managed in the selected projects.

- In 2011, the Sustainable Development Conservation Program (*Programa de Conservación para el Desarrollo Sostenible*—Procodes) had an authorized budget of 210 million pesos. The following actions were carried out between January and June of that year: 47.5 percent expenditure totaling 66 million pesos, assisting 9,172 persons (4,150 men and 5,022 women), in 362 communities among 157 municipalities in 31 states. The environmental contingency resources spent by Procodes supported the establishment of 69 community forest fire prevention corps at 59 ANPs. There were 569 community projects covering a total area of 75,476 hectares with woodland planting, reforestation, ecosystem cleanup, plant cover and species monitoring work.
- New formulas were developed and technology was transferred to phase out the use of chlorofluorocarbons (CFCs) in the manufacture of metered dose inhalers (MDIs), eliminating the use of 90 tons of CFCs in MDI manufacturing.
- From January to June 2011, 13 sole environmental licenses (*licencias ambientales únicas*—LAUs) were issued to fixed sources under federal jurisdiction. A total of 156 LAUs were issued between January 2007 and June 2011, enabling industrial plants to reduce emissions by around 20%, compared to emissions before being regulated with LAUs.
- During the period, Air Quality Management Programs (*Programas de Gestión de la Calidad del Aire*—Proaires) entered into force in Durango and the Comarca Lagunera region. Thus, at the end of 2010, there was a total of 10 programs in effect: Valley of Mexico Metropolitan Area, 2002-2010; Valley of Puebla Metropolitan Area, 2006-2011; Valley of Toluca, 2007-2011; Ciudad Juárez, 2006-2012; Salamanca, 2007-2012; León, 2008-2012; Monterrey, 2008-2012; Cuernavaca, 2009-2012; Durango, 2009-2013, and Comarca Lagunera, 2010-2015.
- From September 2010 to June 2011, 10 new companies were authorized to remediate contaminated soils and another 19 authorizations were extended, for a total of 189 authorized companies.
- From January to June 2011, Profepa received 3,915 environmental complaints from different parts of the country, relating to: forestry (43%), fauna (12%), ecological zoning and environmental impact (12%), soil (11%), air (10%), water and the federal maritime land zone (5%), and flora (1%). Of all complaints received, 1,597 (40.7%) were attended to.
- Training and technical assistance activities were carried out through 18 projects to phase out the use of methyl bromide in farm fumigation; 25 investment projects were undertaken to provide equipment and materials to eliminate the pollutant, reducing its use by 200 tons.
- From September 2010 to June 2011, 57 soil remediation proposals were received for sites contaminated with hazardous materials or wastes deemed environmental emergencies, covering an area of 95,568.23 m<sup>2</sup> and a volume of 132,969.63 m<sup>3</sup>; 68 soil remediation proposals were received for sites contaminated with hazardous materials or wastes deemed environmental liabilities, covering an area of 200,138.31 m<sup>2</sup> and a volume of 226,436.5 m<sup>3</sup>. Another 99 cases of hazardous materials or waste were also concluded, representing an area of 193,211.92 m<sup>2</sup> and a volume of 430,685.14 m<sup>3</sup>.
- By the end of 2010, 8,298 inspections were conducted, 6,495 (78.27%) of which were done with small businesses, while the other 1,803 (21.73%) were with medium-sized and large companies. Among the establishments inspected during the year, 3,115 (37.84%) were in compliance, while 5,091 (61.36%) presented minor irregularities and 92 had serious irregularities, leading to 21 partial shutdowns and 71 full closures. Rulings on 5,275 administrative procedures were entered, levying fines totaling 54.7 million pesos. From January to August 2011, a total of 4,256 likely

polluters were inspected, 3,320 (78%) of which were small businesses, while the other 918 (22%) were medium-sized and large companies. Of the facilities inspected in 2012, 34% were in compliance, 59% presented minor irregularities and 1% presented serious irregularities, leading to 19 partial shutdowns and 26 full closures.

- As a result of the proceedings undertaken with respect to the irregularities detected in the January-August 2011 period, fines totaling 50.87 million pesos were levied.
- By the end of 2010, inspections were conducted at 860 companies (16% of registered establishments) identified as air pollution emissions sources, and 1,117 inspection visits were performed to verify the controlled release of combustion gases, CO<sub>x</sub> (carbon-based oxides), SO<sub>x</sub> (sulfur oxide) and NO<sub>x</sub> (nitrous oxide), as well as suspended particles. From January to August 2011 a total of 455 visits were conducted to verify the controlled release of these pollutants.
- During 2010 the different Profepa inspection offices conducted 9,923 audits to verify compliance with non-tariff restrictions; 6,494 of these audits referred to import authorizations, 239 to export authorizations, and 3,190 to notices to return hazardous waste generated by companies importing components or merchandise on a temporary basis, for total revenues of 4.82 million pesos. In the period from January to August 2011, there were 9,072 inspections of this kind of transboundary movement, including 1,403 return notices, 248 exports and 7,421 imports, bringing in revenues of 4.35 million pesos.
- During 2010, Profepa attended to 339 environmental emergencies, including 228 involving hydrocarbons and other chemical spills, 33 explosions, 44 leaks and 34 facility fires. In the period from January to August 2011, there were 310 environmental emergencies, including 191 involving hydrocarbons and other chemical spills, 38 explosions, 47 leaks, 33 facility fires and one from other causes.
- In November 2010, the IMTA published a book entitled Atlas of Mexico's Water Vulnerability in the Face of Climate Change (*Atlas de vulnerabilidad hídrica de México ante el cambio climático*), as a tool for decision-makers and public policy designers to identify vulnerable areas and implement actions to mitigate and adapt to the effects of climate change on water resources.
- Work continued on the project begun in 2009 by the IMTA and the *Centre de Recherche Industrielle de Quebec* (CRIQ), to develop an anaerobic treatment system to reduce nutrients in pig farm wastewater, in order to control the pollution generated by this kind of agro-industry.
- The IMTA and INE, under Semarnat coordination, began the project *Regional Framework for Sustainable Use of the Rio Bravo* with the support of Texas State University and the US Environmental Protection Agency (EPA).

## Environmental conditions

Activities were undertaken to improve the capacity of the federal, state and municipal public administrations, as well as the private and other sectors, to monitor and improve environmental conditions.

As part of these activities:

- The document National Strategy on Invasive Species in Mexico: Prevention, Control and Eradication (*Estrategia nacional sobre especies invasoras en México: prevención, control y erradicación*) was prepared and presented on 7 September 2010.
- Mexico's 2005 National Emissions Inventory (*Inventario Nacional de Emisiones de México—INEM*) was prepared and presented in June 2011.
- A training workshop on corporate inventories of greenhouse gases (GHGs) was held in July 2011, to build capacities and skills to quantify GHG emissions in the Mexican industrial sector.

- The Renewable Energy Program Guide for Mexican Municipalities (*Guía de programas de fomento de energías renovables para los municipios de la República Mexicana*) was published in February 2011.
- The preparation of the Best Practices Manual for the Implementation of Biodigestion Systems in the Farm Sector (*Manual de mejores prácticas para la implementación de sistemas de biodigestión en el sector agropecuario*) was completed in May 2011.
- In March 2011, the document Achievements in the Implementation of the Public Policy Transversality Strategy for Sustainable Development in the Federal Public Administration (*Logros de la instrumentación de la estrategia de transversalidad de políticas públicas para el desarrollo sustentable en la administración pública federal*) was published for 2010. This document reflects the progress and synergies established in the fulfillment of commitments among the agencies and entities of the federal public administration, with respect to priority environmental issues.
- Between September 2010 and August 2011, the federal government completed the drafting of the Urban Sustainability Guidelines Manual (*Manual de Lineamientos de Sustentabilidad Urbana*).
- The Assessment of the Design of the Native Maize Conservation Program (Promac UO29) was submitted in 2011.
- According to reported data, the 14 refrigerant recycling centers operating around the country received 14 tons OF fluorinated refrigerants.
- A diagnosis of Mexico's endosulfan situation was conducted in 2011, as part of the country position for the Conference of the Parties to the Stockholm Convention.
- In the framework of the National Environmental Monitoring and Assessment Program (*Programa Nacional de Monitoreo y Evaluación Ambiental—Proname*), the monitoring of persistent, bioaccumulative and toxic substances in environmental and biological matrices continued in 2011, in five Mexican ecosystems: three ANPs (Sierra de Manantlán Biosphere Reserve in Jalisco; Valle de Bravo, Mexico State, and Ría Celestún Biosphere Reserve in Yucatán), one industrial site (Coatzacoalcos, Veracruz), and another site considered due to the presence of indigenous groups and environmental issues (Valle del Yaqui, Sonora). With these, Mexico fulfills its commitments under the Stockholm Convention and the Commission for Environmental Cooperation (CEC).
- Completion of the first operating stage (2008-2010) of the Mexican Dioxin and Furan in Air Monitoring Network (*Red Mexicana de Monitoreo de Dioxinas y Furanos en Aire Ambiente—RMM DFA*) provided the benchmark values for levels of dioxin and furan concentration in environmental air, which were used to modify the network's design and keep only two sentinel sites for the second stage. During 2011, the network's fourth year of operation, four samplings were done at the two sites. Protocols and operational standards were revised and updated, established as the basis for operation and quality assurance.

### Changes in level of protection

During the period, two new standards and 182 amendments were issued, including:

- Mexican Official Standard (*Norma Oficial Mexicana*) NOM-013-SEMARNAT-2010, providing health regulations for the importation of Christmas tree species from the genera *Pinus* and *Abies* and the species *Pseudotsuga mienziensis*, published in the Federal Official Gazette (*Diario Oficial de la Federación—DOF*) on 6 November 2010.
- Update to Mexican Official Standard NOM-059-SEMARNAT-2010, Environmental protection—native Mexican wild species of flora and fauna—Risk categories and specifications for inclusion, exclusion or change—Endangered species list, published in the DOF on 30 December 2010, to adopt a new method to assess the risk of extinction of plants in Mexico, in order to avoid overestimating the risk category.

- Thirty-five coordination agreements to undertake comprehensive waste management actions (landfills) with the states of Campeche, Chiapas, Hidalgo, Jalisco, Michoacán, Morelos, Nayarit, Oaxaca, Querétaro, San Luis Potosí, Yucatán and Zacatecas.
- Draft amendment to Mexican Official Standard NOM-076-SEMARNAT-1995, approved 29 March 2011, to establish maximum allowable limits of GHG emissions.
- Draft Mexican Official Standard PROY-NOM-159-SEMARNAT-2010, establishing the environmental protection requirements for copper leaching systems, published in the DOF on 1 April 2011.
- Amendments and additions to Article 180 of the General Ecological Balance and Environmental Protection Act (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*—LGEEPA), enacted in 2011 to entitle individuals and entities with a legitimate interest to challenge the authorization of works or activities that contravene the environmental provisions.

#### Government enforcement measures

- From 1 September to 31 December 2010, the Temporary Employment Program (*Programa de Empleo Temporal*—PET) saw 2,182,004 workdays benefiting 30,345 persons—women and men—earning 136,797,116.4 pesos. From 1 January to 30 June 2011, the PET benefited 64,938 women and men, including 33,487 unemployed women, with 2,368,350 workdays. To date, 182,530,285.2 pesos have been paid out, representing a 13.1% increase over the same period in 2010.
- In January 2011, a new request for proposals was published for the wildlife conservation and sustainable use subsidy through the UMAs and wildlife management lands and facilities. This mechanism subsidized 306 projects, with a financial contribution of 155,966,838.55 pesos. The management and sustainable use of species and species groups such as cactuses, palms, orchids, bromelias, fungi, crocodiles, iguanas, white-tailed, brocket and mule deer, jaguars, pumas, peccaries, wild turkeys and other game birds provided jobs to a total of 9,966 persons (6,745 men and 3,221 women).
- The National Forest Fund (*Fondo Nacional Forestal*—Fonafor) was created during the first half of 2011 to facilitate access to financing for the Commercial Woodland Plantation Project (*Proyecto de Plantaciones Forestales Comerciales*). Fonafor's initial funding was 500 million pesos.
- On 25 February 2011, a collaboration agreement was signed by Semarnat and the National Chamber of the Cellulose and Paper Industries (*Cámara Nacional de las Industrias de la Celulosa y del Papel*) on the establishment of a strategy to foster the use of forest resources and to promote sustainable production and use in the paper and cardboard industry.
- For 2011, the promotion of 50 forest supply chains was planned to increase the sector's competitiveness and productivity, incorporating added value and technological improvements to products. The Conafor supply chain integration methodology was also implemented.
- As of June 2011, six comprehensive waste management projects had been approved by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*—SHCP), in addition to 192 comprehensive waste management and infrastructure projects for final disposal, in 24 Mexican states.
- For 2011, the authorized investment for hydraulic infrastructure development, conservation and operations was 39.2361 billion pesos. From January to June 2011, 12.9758 billion had been spent, with 92.8% allocated to potable water, sewer and sanitation works, 2.8% to farm irrigation infrastructure, and 4.4% to flood prevention and protection works.



- As part of the Clean Water Program (*Programa de Agua Limpia*) created to increase disinfection levels in the public water supply, an estimated volume of 329.3 m<sup>3</sup>/s was supplied as of June 30, 2011, 320.9 m<sup>3</sup>/s of which was disinfected.
- Between January and June 2011, 16 establishments were authorized, with the capacity to handle 648,220 tons of hazardous waste.
- From September 2010 to June 2011, 607 investment projects were submitted to the Environmental Impact Procedure, representing a 12.6% increase over the previous year. Rulings were entered for a total 586 projects, 397 of which were authorized and 189 were denied as environmentally unviable, due to deficient or incomplete information, or withdrawn by the filers.
- In 2010, there were 7,120 inspections of transboundary movements of wildlife specimens, products and byproducts subject to Semarnat regulation. In the period from January to August 2011, 4,905 inspections of this kind were carried out. In 2010, revenues of 3.195 million pesos were derived from reviews of inspection records, while as of August 2011 2.15 million pesos were collected from such reviews.
- As regards inspections of transboundary movements for the importation of forestry products and byproducts, 65,016 inspections were carried out by the end of 2010, with 73 technical reports finding 26 samples identified as having pests warranting quarantine. In the period from January to August 2011, there were 45,095 inspections leading to 23 technical reports and seven findings of samples with pests. These inspections resulted in revenues of 31.51 million pesos in 2010 and 21.5 million pesos through August 2011.

#### Future plans associated with NAAEC obligations

- The goals for 2012 include the incorporation of an additional 2,610,000 hectares of forest ecosystems into For-Pay Environmental Services Program (*Programa de Pago por Servicios Ambientales*).
- Mexico expects to contribute to the conservation of 30 endangered species with the development and deployment of new PACE programs.
- The goals and objectives set out for the end of 2011 include:
  - Strengthening the operation of ANPs on an aggregate 14,803,302 hectares, under the direct responsibility of Conanp.
  - Monitoring 35 emblematic species in a like number of ANPs (Conanp).
  - Performing the diagnosis and phytosanitary treatment of woodland ecosystems, nurseries and plantations on 600,000 and 40,000 hectares, respectively (Conafor).
  - Containing the area annually affected by forest fires to a range of 30±6 hectares (Conafor).
  - Incorporating an additional one million hectares into the wildlife conservation management units (*Unidades de Manejo para la Conservación de la Vida Silvestre*—UMA) system, with 800,000 hectares in central and southern Mexico (Semarnat).
  - Developing and publishing two additional Proaires programs, from among the following options: 1) the Municipality of Mexicali, 2) the Guadalajara Metropolitan Area, 3) the Municipalities of Tijuana-Rosarito, 4) the Municipality of Villahermosa, and 5) the Municipality of Querétaro (Semarnat).
  - Implementing the National Waste Prevention and Comprehensive Management Program (*Programa Nacional para la Prevención y Gestión Integral de los Residuos*—PNPGIR) 2009-2012, undertaking 277 actions contemplated in the strategies and lines of action (Semarnat).
  - A total of 4,900 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<sup>1</sup>

- [www.semarnat.gob.mx/programas/seguimiento/Paginas/informes-2006-2012.aspx](http://www.semarnat.gob.mx/programas/seguimiento/Paginas/informes-2006-2012.aspx)
- [www.semarnat.gob.mx/programas/seguimiento/Documents/informes/V\\_INFORME\\_SEMARNAT\\_2011.pdf](http://www.semarnat.gob.mx/programas/seguimiento/Documents/informes/V_INFORME_SEMARNAT_2011.pdf)
- [www.profepa.gob.mx/innovaportal/v/4742/1/mx/informe\\_anual\\_profepa\\_2011.html](http://www.profepa.gob.mx/innovaportal/v/4742/1/mx/informe_anual_profepa_2011.html)

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<sup>1</sup> 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

### United States Progress Report, 2011

#### 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 the NAAEC.

#### Introduction

The information included in this section of the 2011 Annual Report is intended to highlight certain activities and developments related to environmental protection for the calendar year 2011. It does not represent the full range of activities undertaken by the United States (US) government with the NAAEC, nor is it intended to reflect environmental efforts at the state, tribal, territory, or local level.

#### Most significant successes in fulfillment of obligations under the agreement

- The US Environmental Protection Agency reached a settlement with the Tennessee Valley Authority (TVA) to resolve alleged Clean Air Act violations at 11 of its coal-fired plants in Alabama, Kentucky, and Tennessee. The settlement will require TVA to invest a TVA estimated \$3 to \$5 billion on new and upgraded state-of-the-art pollution controls that will prevent approximately 1,200 to 3,000 premature deaths, 2,000 heart attacks and 21,000 cases of asthma attacks each year, resulting in up to \$27 billion in annual health benefits. TVA will also invest \$350 million on clean energy projects that will reduce pollution, save energy and protect public health and the environment.
- President Obama met with industry officials to discuss the first-of-their-kind fuel efficiency and greenhouse gas pollution standards for work trucks, buses, and other heavy duty vehicles and to thank them for their leadership in finalizing a successful national program for these vehicles. This meeting marks the administration's announcement of the standards, which will save American businesses that operate and own these commercial vehicles approximately \$50 billion in fuel costs over the life of the program. The US Department of Transportation and the US Environmental Protection Agency developed the standards in close coordination with the companies that met with the president as well as other stakeholders, following requests from companies to develop this program. The cost savings for American businesses are on top of the \$1.7 trillion that American families will save at the pump from the historic fuel-efficiency standards announced by the Obama Administration for cars and light duty trucks, including the model year 2017-2025 agreement announced by the president last month.
- Under an unprecedented agreement announced by the Natural Resource Trustees for the Deepwater Horizon oil spill (Trustees), BP agreed to provide \$1 billion toward early restoration projects in the Gulf of Mexico to address injuries to natural resources caused by the spill. The Trustees involved are: Alabama, Florida, Louisiana, Mississippi, Texas, the Department of the Interior (DOI), and the National Oceanic and Atmospheric Administration (NOAA). The Department of Justice provided assistance in reaching the agreement. This early restoration agreement, the largest of its kind ever reached, represents a first step toward fulfilling BP's obligation to fund the complete restoration of injured public resources, including the loss of use of those resources by the people living, working and visiting the area. The Trustees will use the money to fund projects such as the rebuilding of coastal marshes, replenishment of damaged

beaches, conservation of sensitive areas for ocean habitat for injured wildlife, and restoration of barrier islands and wetlands that provide natural protection from storms.

- The Department of Interior Office of Surface Mining Reclamation and Enforcement announced nearly half a billion dollars in grants for states and tribes to eliminate health and safety hazards caused by past coal mining. This year's funding—a \$90 million increase over last year—will generate more than \$1 billion in economic activity and support thousands of jobs across the country. Funding for Abandoned Mine Land (AML) grants comes from coal receipts and is distributed through a congressionally mandated formula under the Surface Mining Control and Reclamation Act (SMCRA). Fiscal year 2012 grants will total more than \$485 million, the highest amount ever awarded. A recently issued Interior report estimated that the \$369 million in AML grants made available for fiscal year 2010 delivered an economic impact of 1.1 billion dollars and was directly responsible for more than 8,600 jobs. With an increase of \$90 million over fiscal year 2011 funding levels, the economic impact of the \$485 million in grants announced today is expected to exceed that of last year's funding.
- A settlement was reached with Hecla Mining Company to resolve one of the largest cases ever filed under the Superfund statute. Under the settlement, Hecla will pay \$263.4 million plus interest to the United States, the Coeur d'Alene Tribe and the state of Idaho to resolve claims stemming from releases of wastes from its mining operations. Settlement funds will be dedicated to restoration and remediation of natural resources in the Coeur d'Alene Basin. The agreement brings closure to that lawsuit and establishes a strong basis for future cooperation between Hecla and the governments in the Coeur d'Alene Basin.
- The US Environmental Protection Agency and the US Department of Transportation (DOT) unveiled their joint proposal to set stronger fuel economy and greenhouse gas pollution standards for model year 2017-2025 passenger cars and light trucks. Cars, SUVs, minivans, and pickup trucks are currently responsible for nearly 60 percent of US transportation-related petroleum use and greenhouse gas emissions. When combined with other historic steps this administration has taken to increase energy efficiency, this proposal will save Americans over \$1.7 trillion at the pump, nearly \$8,000 per vehicle by 2025. These combined actions also will reduce America's dependence on oil by an estimated 12 billion barrels, and, by 2025, reduce oil consumption by 2.2 million barrels per day—enough to offset almost a quarter of the current level of our foreign oil imports. Taken together, these actions will also slash 6 billion metric tons in greenhouse gas emissions over the life of the programs.
- Department of Interior commemorated the start of construction on what will be the world's largest solar power facility. Located on public lands in eastern Riverside County, California, the Blythe Solar Power Project will generate 1,000 megawatts, enough electricity to power 300,000-750,000 homes when fully operational. The project will be built in two phases of 500 megawatts each. Each 500 MW phase of the project will provide 1,000 construction jobs per year, up to 3,000 supply chain and related jobs, and 220 permanent jobs.

## State of the Environment

- According to NOAA scientists, 2010 tied with 2005 as the warmest year of the global surface temperature record, beginning in 1880. This was the 34th consecutive year with global temperatures above the 20th century average. For the contiguous United States alone, the 2010 average annual temperature was above normal, resulting in the 23rd warmest year on record. Combined global land and ocean annual surface temperatures for 2010 tied with 2005 as the warmest such period on record at 1.12 F (0.62 C) above the 20th century average.

- The amount of air pollutants in the atmospheric plume generated by the Deepwater Horizon oil spill was similar to a large city according to a new NOAA-led study published in a special issue of Proceedings of the National Academy of Sciences. Researchers from the NOAA Earth System Research Laboratory (ESRL) and NOAA's Cooperative Institute for Research in Environmental Sciences (CIRES) in Boulder, Colo., along with university colleagues, focused on ozone and particulate matter—two pollutants with human health effects. About eight percent, or about one of every 13 barrels of the Deepwater Horizon-spilled oil that reached the ocean surface, eventually made its way into airborne organic particles small enough to be inhaled into human lungs, and some of those particles likely reached the Gulf coast when the winds were blowing toward the shore, according to the study.
- NOAA-supported scientists found the size of this year's Gulf of Mexico dead zone to be 6,765 square miles. Researchers had predicted the potential for a record sized dead zone between 8,500 and 9,421 square miles due to the spring flooding of the Mississippi River and the associated large loads of nutrients running off into the Gulf, but strong winds and waves associated with Tropical Storm Don disrupted the western portion of the dead zone. The dead zone is fueled by nutrient runoff from agricultural and other human activities in the Mississippi River watershed. The hypoxic zone off the coast of Louisiana and Texas forms each summer and threatens valuable commercial and recreational Gulf fisheries. These fisheries are critical to the economy. For example, in 2009, the dockside value of commercial fisheries in the Gulf was \$629 million. Nearly three million recreational fishers, taking 22 million fishing trips, further contributed more than \$1 billion to the Gulf economy.
- America's wetlands declined slightly from 2004-2009, underscoring the need for continued conservation and restoration efforts, according to a report issued today by the Department of the Interior's US Fish and Wildlife Service. The findings are consistent with the Service's Status and Trends Wetlands reports from previous decades that reflect a continuous but diminishing decline in wetlands habitat over time.
- The US Environmental Protection Agency is making data publicly available from a two-year study of air emissions from animal feeding operations (AFOs). AFOs, which house large numbers of animals for production of meat, dairy products and eggs, were monitored for the following air pollutants: ammonia, hydrogen sulfide, particulate matter and volatile organic compounds. The data available are from the National Air Emissions Monitoring Study, which resulted from a 2005 voluntary compliance agreement between EPA and the AFO industry. The study was funded by industry and conducted by Purdue University researchers with EPA oversight. Throughout the studies, participating AFOs made their operations available for monitoring and worked closely with the researchers, industry experts and EPA.
- In a little over one year, six projects that received a total of \$23.6 million in seed funding from the Department of Energy's Advanced Research Project Agency - Energy (ARPA-E) have generated more than \$100 million in outside private capital investment. The six projects, which received between \$750,000 and \$8 million each, focus on improving solar and wind energy technologies and advanced battery storage.
- Unveiling a coordinated strategic plan to accelerate the development of offshore wind energy, the Department of the Interior and the Department of Energy announced major steps forward in support of offshore wind energy in the United States, including new funding opportunities for up to \$50.5 million for projects that support offshore wind energy deployment and several high priority Wind Energy Areas in the mid-Atlantic that will spur rapid, responsible development of this abundant renewable resource.

- Three fisheries stocks from the Northeast—Georges Bank haddock, Atlantic pollock and spiny dogfish—have now been rebuilt to healthy levels, bringing to 21 the number that have been rebuilt nationwide since 2000, according to a report to Congress from NOAA’s Fisheries Service issued today. NOAA’s Status of US Fisheries reports on the fishing activity and population level for fish stocks in the country. Scientists announced that in 2010, 84 percent of the stocks examined for fishing activity (213 of 253 stocks) were free from overfishing, or not fished at too high a level, and 77 percent of the stocks with known population levels (159 of 207 stocks) were above the overfished level, that level too low to provide the maximum sustainable yield.
- The US Environmental Protection Agency released the 16<sup>th</sup> annual US greenhouse gas inventory. The final report shows overall emissions during 2009 decreased by 6.1 percent from the previous year. This downward trend was attributed to a decrease in fuel and electricity consumption across all US economic sectors. Total emissions of the six main greenhouse gases in 2009 were equivalent to 6,633 million metric tons of carbon dioxide. These gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride. The report indicates that overall emissions have grown by more than 7.3 percent from 1990 to 2009. Emissions in 2009 represent the lowest total US annual GHG emissions since 1995.
- The Department of Energy issued final energy efficiency standards for home refrigerators and freezers that will improve their efficiency by about 25 percent by 2014. These new standards, developed through a consensus process with manufacturers, consumer groups and environmentalists, are expected to deliver more than \$200 in electricity bill savings for the typical consumer over the lifetime of the refrigerator. Nationally, consumers are expected to save more than \$21 billion on their energy bills through 2043 as a result of the new standards.
- Last year, the US Environmental Protection Agency challenged the manufacturing industry to improve the energy efficiency of their facilities by 10 percent or more within five years. Since that time, 240 manufacturing sites have responded to the Energy Star Challenge for Industry and 34 sites have improved their energy efficiency by 10 percent or more. These energy efficiency improvements prevent harmful greenhouse gas emissions and protect the health of Americans. Both small and large manufacturing facilities have met the milestone and have prevented nearly 119,000 metric tons of carbon dioxide equivalent, demonstrating that efficiency opportunities exist across all sectors of industry including aerospace, food processing, pharmaceuticals, and motor vehicle manufacturing. Many of these sites also report that savings were achieved at low cost by strengthening energy management practices and improving operations with help from EPA’s Energy Star program.
- The US Department of Energy released *One Million Electric Vehicles by 2015*, an analysis of advances in electric vehicle deployment and progress to date in meeting President Obama’s goal of putting one million electric vehicles on the road by 2015. The analysis shows that while the goal is ambitious, it is also achievable based on steps already taken as part of the Recovery Act and additional policy initiatives proposed by President Obama, including improvements to existing consumer tax credits, programs to help cities prepare for the growing demand for electric vehicles, and strong support for research and development to continue reducing the cost of electric vehicles.
- Partners and stakeholders of the US–Mexico Border 2012 National Coordinators announced the initiation of a \$13.9 million project, including \$4 million from the Global Environmental Facility (GEF), for the joint development of a Regional Framework for Sustainable Use of the Rio Bravo/Rio Grande and to address environmental issues. In recognition of the 1,800 mile-long transboundary river, officials from the US Environmental Protection Agency (EPA) and Mexico *Secretaría de Medio Ambiente y Recursos Naturales* (Semarnat) announced the initiation the Río Bravo/Rio Grande project to address environmental issues and develop a binational plan. The

project includes development of a protocol assessment, a transboundary diagnostic analysis (TDA) and a plan for preventive measures.

- The US Environmental Protection Agency announced more than \$76 million in new investments across the country that will redevelop contaminated properties, boost local economies and help create jobs while protecting public health. EPA's brownfields grants are used to assess and clean up abandoned industrial and commercial properties like deserted gas stations or closed smelters. There are an estimated 450,000 abandoned and contaminated waste sites in America. These investments help leverage redevelopment, promote economic growth and lead to job creation. Since its inception, EPA's brownfields investments have leveraged more than \$16.3 billion in cleanup and redevelopment funding from a variety of public and private sources and have resulted in approximately 70,000 jobs. Brownfields grants also target under-served and economically disadvantaged neighborhoods—places where environmental cleanups and new jobs are most needed.
- NOAA reopened 4,213 square miles of Gulf of Mexico federal waters off Louisiana, Mississippi and Alabama to royal red shrimping. The area was closed to this type of deep water fishing on Nov. 24, 2010, as a precautionary measure after a commercial shrimper discovered tar balls in his net. The "fingerprint" analysis to determine whether the source of the tar balls was the Deepwater Horizon/BP oil was inconclusive. Further fish and shrimp sampling and testing from the area showed no oil or dispersant contamination. This reopening was announced after consultation with the US Food and Drug Administration. All commercial and recreational fishing is allowed within this area.
- The US Environmental Protection Agency announced the top contenders at the midpoint of the 2011 National Building Competition: *Battle of the Buildings*. EPA also provided an update on the progress of all participants as they continue to go head-to-head to save energy, reduce costs and protect Americans' health and their environment. In the first six months of the competition alone, teams representing 245 buildings around the country have saved more than \$3.7 million on utility bills and reduced greenhouse gas emissions equal to the electricity used by 2,300 homes annually. Competitors measure and track their building's monthly energy consumption using EPA's Energy Star online energy tracking tool, Portfolio Manager.
- The US Environmental Protection Agency announced today that 25 percent of all single-family homes built nationally in 2010 earned EPA's Energy Star, up from 21 percent in 2009. In partnership with its stakeholders, EPA continues to help American home buyers invest in high performing homes that save money on their utility bills and help protect the environment. Since 1995 approximately 1.2 million new homes have earned EPA's Energy Star, representing savings of nearly \$350 million on utility bills while avoiding greenhouse gas emissions equivalent to those from more than 450,000 vehicles.
- The US Environmental Protection Agency awarded \$50 million for clean diesel projects as part of its ongoing campaign to reduce harmful emissions in the air and better protect people's health. These efforts will replace, retrofit or repower more than 8,000 older school buses, trucks, locomotives, vessels, and other diesel powered machines. Reducing emissions from existing diesels provides cost-effective public health and environmental benefits while supporting green jobs at manufacturers, dealerships and businesses across the country. Diesel engines emit 7.3 million tons of smog-forming nitrogen oxides (NOx) and 333,000 tons of soot annually. Diesel pollution is linked to thousands of premature deaths, hundreds of thousands of asthma attacks and millions of lost work days.
- The US Environmental Protection Agency and Natural Resources Canada (NRCan) signed an agreement that will create a common platform for measuring and assessing the energy

- performance of commercial buildings in both countries. The agreement will harmonize the approach of the two countries by enhancing EPA's existing Energy Star Portfolio Manager software tool to track and rate the energy performance of Canadian commercial buildings, in addition to buildings in the United States. Through the agreement, important enhancements will be made to Portfolio Manager, including the development of a Canadian-based energy performance scale and the addition of Canadian reference data (weather, energy and emissions factors and metric units). The tool will also be available in both official languages.
- The US Environmental Protection Agency is reinstating Toxic Release Inventory (TRI) reporting requirements for hydrogen sulfide. This action is part of Administrator Lisa P. Jackson's ongoing efforts to provide Americans with helpful information on chemicals they may encounter in their daily lives. TRI is a publicly available database that contains information on toxic chemical releases and waste management activities reported annually by certain industries and federal facilities.

### Changes in Level of Protection

- The Department of Interior announced that the Bureau of Reclamation selected 54 new projects in western states to receive a total of \$24 million in WaterSMART Water and Energy Efficiency Grants. Once funded and completed, these projects will save an estimated 102,221 acre-feet of water each year, or enough water for more than 400,000 people. In addition, 24 of the projects are expected to save more than 15 million kilowatt-hours of electricity per year, enough electricity for more than 1,300 households.
- The Department of Interior provided more than \$53 million in grants to 17 states to support conservation planning and acquisition of vital habitat for threatened and endangered fish, wildlife, and plants. The grants, awarded through the US Fish and Wildlife Service's (Service) Cooperative Endangered Species Conservation Fund (CESCF), will benefit numerous imperiled species ranging from the Peninsular bighorn sheep to the Karner blue butterfly.
- In response to federal court orders requiring the issuance of final standards, the US Environmental Protection Agency issued final Clean Air Act standards for boilers and certain incinerators that achieve significant public health protections through reductions in toxic air emissions, including mercury and soot, but cut the cost of implementation by about 50 percent from an earlier proposal issued last year.
- Building on the Obama Administration's strong record of protecting the public's health through common-sense clean air standards—including proposed standards to reduce emissions of mercury and other air toxics, as well as air quality standards for sulfur dioxide and nitrogen dioxide—the US Environmental Protection Agency today finalized additional Clean Air Act protections that will slash hundreds of thousands of tons of smokestack emissions that travel long distances through the air leading to soot and smog, threatening the health of hundreds of millions of Americans living downwind. The Cross-State Air Pollution Rule will protect communities that are home to 240 million Americans from smog and soot pollution, preventing up to 34,000 premature deaths, 15,000 nonfatal heart attacks, 19,000 cases of acute bronchitis, 400,000 cases of aggravated asthma, and 1.8 million sick days a year beginning in 2014—achieving up to \$280 billion in annual health benefits.
- The US Environmental Protection Agency issued the Mercury and Air Toxics Standards, the first national standards to protect American families from power plant emissions of mercury and toxic air pollution like arsenic, acid gas, nickel, selenium, and cyanide. The standards will slash emissions of these dangerous pollutants by relying on widely available, proven pollution controls that are already in use at more than half of the nation's coal-fired power plants. EPA estimates that the new safeguards will prevent as many as 11,000 premature deaths and 4,700 heart attacks a year.



The standards will also help America's children grow up healthier—preventing 130,000 cases of childhood asthma symptoms and about 6,300 fewer cases of acute bronchitis among children each year.

- The US Environmental Protection Agency finalized the 2012 percentage standards for four fuel categories that are part of the agency's Renewable Fuel Standard program (RFS2). EPA continues to support greater use of renewable fuels within the transportation sector every year through the RFS2 program, which encourages innovation, strengthens American energy security, and decreases greenhouse gas pollution. The Energy Independence and Security Act of 2007 (EISA) established the RFS2 program and the annual renewable fuel volume targets, which steadily increase to an overall level of 36 billion gallons in 2022. To achieve these volumes, EPA calculates a percentage-based standard for the following year. Based on the standard, each refiner and importer determines the minimum volume of renewable fuel that it must ensure is used in its transportation fuel.

#### Government Enforcement Action

- HOVENSA LLC, owner of the second-largest petroleum refinery in the United States, agreed to pay a \$5.375 million civil penalty and spend more than \$700 million in new pollution controls to resolve Clean Air Act violations at its St. Croix, US Virgin Islands. The settlement requires new and upgraded pollution controls, more stringent emission limits and aggressive monitoring, leak-detection and repair practices to reduce emissions from refinery equipment and process units. Once fully implemented, the pollution controls required by the settlement are estimated to reduce emissions of nitrogen oxides (NOx) by more than 5,000 tons per year and sulfur dioxide (SO2) by nearly 3,500 tons per year.
- The Metropolitan St. Louis Sewer District (MSD) agreed to make extensive improvements to its sewer systems and treatment plants, at an estimated cost of \$4.7 billion over 23 years, to eliminate illegal overflows of untreated raw sewage, including basement backups, and to reduce pollution levels in urban rivers and streams. This injunctive relief is historic in its scope and importance to the people of St. Louis. The settlement requires MSD to install a variety of pollution controls, including the construction of three large storage tunnels ranging from approximately two miles to nine miles in length, and to expand capacity at two treatment plants. These controls and similar controls that MSD has already implemented will result in the reduction of almost 13 billion gallons per year of overflows into nearby streams and rivers.
- Northern Indiana Public Service Co. (NIPSCO) signed a settlement agreement in which it has agreed to invest approximately \$600 million in pollution control technology to resolve violations of the Clean Air Act. The proposed settlement covers all of NIPSCO's coal fired power plants, located in Chesterton, Michigan City, Wheatfield and Gary, Ind. It will require that NIPSCO spend \$9.5 million on environmental mitigation projects and pay a civil penalty of \$3.5 million. The state of Indiana has been involved with developing this settlement and is a signatory. Under the proposed settlement, NIPSCO will install pollution control technology at three of its four coal-fired power plants to comply with stringent emission rates and annual tonnage limitations. These actions will result in annual reductions of nitrogen oxide (NOx) emissions by 18,000 tons and sulfur dioxide (SO2) emissions by 46,000 tons. The proposed settlement will also result in significant reductions of particulate matter emissions.
- Trident Seafoods Corp., one of the world's largest seafood processors, agreed to pay a \$2.5 million civil penalty and invest millions in seafood processing waste controls to settle alleged violations of the Clean Water Act. Unauthorized discharges of seafood processing waste lead to large seafood waste piles on the seafloor, creating anoxic, or oxygen-depleted, conditions that result in

unsuitable habitats for fish and other living organisms. The agreement requires Trident to invest an estimated \$30-40 million, and potentially more, in source control and waste pile remediation measures. These activities associated with these measures will reduce Trident's fish processing discharges by a total of more than 105 million pounds annually.

- BP Exploration Alaska, Inc. (BP Alaska) will pay a \$25 million civil penalty and carry out a system-wide pipeline integrity management program as part of a settlement for spilling more than 5,000 barrels of crude oil from the company's pipelines on the North Slope of Alaska in 2006. The penalty is the largest per-barrel penalty to date for an oil spill. In March 2006, BP Alaska spilled approximately 5,054 barrels of crude oil on the North Slope in Alaska. A second spill occurred in August 2006, spilling approximately 24 barrels of crude oil. Investigators determined that the spills were a result of BP Alaska's failure to properly inspect and maintain the pipeline to prevent corrosion.
- Mississippi-based PowerTrain Inc., Wood Sales Inc., and Tool Mart Inc., (collectively known as "PowerTrain") will jointly pay a civil penalty of \$2 million to resolve claims that the company imported and sold almost 80,000 non-road engines and equipment that were not covered by emissions-related certificates of conformity, and in most cases could not be certified because they exceeded emissions standards under the Clean Air Act. Under the settlement, PowerTrain will implement a plan to ensure that the engines and equipment they import in the future comply with Clean Air Act regulatory requirements. PowerTrain will also implement projects to offset the excess pollution from these engines. For one of its offset projects, PowerTrain will provide subsidies for consumers to replace older, dirtier wood stoves with efficient, EPA-certified wood stoves.
- CEMEX Inc., one of the largest producers of Portland cement in the United States, will spend an estimated \$2 million on pollution controls that will reduce harmful emissions of nitrogen oxides (NOx) and sulfur dioxide (SO2), pollutants that can lead to childhood asthma, acid rain, smog and impaired visibility in national parks. Under a settlement to resolve Clean Air Act violations at its cement plant in Fairborn, Ohio, CEMEX will also pay a \$1.4 million penalty.
- Koo's Shipping Company S.A., a Taiwanese corporation, pleaded guilty in federal court to charges of making false statements, knowingly failing to fully and accurately maintain an oil record book as required by international treaty and US law, and for knowingly discharging oily bilge waste into Pago Pago Harbor, American Samoa, without using proper pollution prevention equipment. The company was sentenced to pay a \$750,000 criminal fine and pay \$250,000 towards community service projects in American Samoa, and was placed on probation for three years.
- Honeywell International Inc was sentenced today to pay a criminal fine in the amount of \$11.8 million for knowingly storing hazardous waste without a permit in violation of the Resource Conservation and Recovery Act (RCRA). Honeywell, a Delaware corporation with corporate headquarters in Morristown, N.J., owns and operates a uranium hexafluoride (UF6) conversion facility in Massac County, Ill., near the city of Metropolis and the Ohio River. Honeywell is licensed by the US Nuclear Regulatory Commission to possess and otherwise manage natural uranium, which it converts into UF6 for nuclear fuel. The Metropolis facility is the only facility in the United States to convert natural uranium into UF6.
- P4 Production LLC, a mining and phosphorus processing company wholly-owned by Monsanto and operating near Soda Springs in southeast Idaho, agreed to pay a \$1.4 million civil penalty for alleged Clean Water Act violations at its South Rasmussen Mine. In addition to the penalty, P4 will spend an estimated \$875,000 on monitoring and to prevent pollutants from entering local waters. According to the complaint, P4 allegedly discharged wastewater containing high concentrations of selenium and heavy metals from a waste rock dump at the mine without a required permit.

Further, P4's unpermitted discharges - which contained selenium levels far above Idaho's state water quality standards—allegedly polluted a nearby wetland and an unnamed tributary of Sheep Creek, as well as downstream waters that drain to the Snake River.

- Terra Industries Inc., one of the nation's largest producers of nitric acid and nitrogen fertilizers, has agreed to pay \$625,000 in civil penalties to settle alleged violations of the federal Clean Air Act at nine of its plants in Iowa, Mississippi and Oklahoma. As part of the settlement, Terra will also spend an estimated \$17 million to install and implement new controls and technologies that are expected to reduce harmful nitrogen oxide emissions at its facilities by at least 1,200 tons per year.
- The US Department of Justice, the State of California, the City and County of San Francisco, and the City of Richmond signed and lodged a consent decree that requires Regal Stone Limited and Fleet Management Ltd., the owners and operators of the M/V Cosco Busan to pay \$44.4 million for natural resource damages and penalties and to reimburse the governmental entities for response costs incurred as a result of the 53,000 gallon oil spill that occurred when the vessel struck the San Francisco-Oakland Bay Bridge on Nov. 7, 2007. The event killed thousands of birds, impacted a significant portion of the Bay's 2008 herring spawn, spoiled miles of shoreline habitat and closed the Bay and area beaches to recreation and fishing.
- Mahard Egg Farm Inc., a Texas corporation operating in both Texas and Oklahoma, agreed to pay a \$1.9 million penalty to resolve claims that the company failed to comply with the Clean Water Act at its egg production facilities. The civil penalty is the largest ever to be paid in a federal enforcement action involving a concentrated animal feeding operation (CAFO), and is in addition to approximately \$3.5 million that Mahard will spend on remedial measures to bring the company into compliance with the law and protect the environment and people's health.
- Consol Energy Inc., the largest producer of coal from underground mines in the United States, agreed to pay a \$5.5 million civil penalty for Clean Water Act violations at six of its mines in West Virginia. In addition to the penalty, Consol will spend an estimated \$200 million in pollution controls that will reduce discharges of harmful mining wastewater into Appalachian streams and rivers.
- Rocky Mountain Pipeline System LLC, Western Convenience Stores Inc. and Offen Petroleum Inc, three gasoline distributors, agreed to pay \$2.5 million to resolve claims that they illegally mixed and distributed more than one million gallons of gasoline that did not meet Clean Air Act emissions and fuel quality requirements. Use of gasoline that does not meet the Clean Air Act's standards for fuel can result in increased emissions from car tailpipes, affect vehicle performance, and in some cases can damage engines and emissions controls.
- The US Environmental Protection Agency ordered Northrop Grumman Systems Corporation to spend an estimated \$20 million to build a groundwater cleanup system to address groundwater contamination stemming primarily from the former Benchmark Technology facility in the City of Industry, Calif., located within the San Gabriel Valley Superfund Sites.
- Pelican Refining Company LLC, was sentenced to pay \$12 million for felony violations of the Clean Air Act and to obstruction of justice charges in federal court in Lafayette, La. Pelican was sentenced to pay a \$12 million penalty, which includes a \$10 million criminal fine and \$2 million in community service payments that will go toward various environmental projects in Louisiana, including air pollution monitoring. The criminal fine is the largest ever in Louisiana for violations of the Clean Air Act. Pelican is also prohibited from future operations unless it implements an environmental compliance plan, which includes independent quarterly audits by an outside firm and oversight by a court-appointed monitor.
- Essroc Cement Company agreed to pay a \$1.7 million penalty and invest approximately \$33 million in pollution control technology to resolve alleged violations of the Clean Air Act (CAA) at

six of its Portland Cement manufacturing plants. The settlement will protect citizen health by reducing more than 7,000 tons of harmful nitrogen oxides (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) pollution each year that can lead to childhood asthma, acid rain, and smog. Essroc also agreed to spend \$745,000 to mitigate the effects of past excess emissions from its facilities.

- The Dow Chemical Company agreed to pay a \$2.5 million civil penalty to settle alleged violations of the Clean Air Act, Clean Water Act and the Resource Conservation and Recovery Act at its chemical manufacturing and research complex in Midland, Michigan. In addition to paying a penalty, Dow will implement a comprehensive program to reduce emissions of volatile organic compounds (VOCs) and hazardous air pollutants (HAPs) from leaking equipment such as valves and pumps. These emissions—known as “fugitive” emissions because they are not discharged from a stack but rather leak directly from equipment - are generally controlled through work practices, such as monitoring for and repairing leaks.
- Caterpillar Inc. agreed to pay a \$2.55 million civil penalty to settle alleged Clean Air Act violations for shipping more than 590,000 highway and non-road engines without the correct emissions controls. Caterpillar also allegedly failed to comply with emission control reporting and engine-labeling requirements. Engines operating without proper emissions controls can emit excess nitrogen oxides (NO<sub>x</sub>), particulate matter and other air pollutants that impact people’s health, potentially causing respiratory illnesses and aggravating asthma.
- In a settlement valued at more than \$1.7 million, Clean Harbors of Braintree Inc. agreed to pay a significant penalty and perform additional projects, to settle a complaint filed by the US Department of Justice on behalf of the Environmental Protection Agency, regarding numerous violations of hazardous waste management and emergency planning laws at the company’s Braintree, Mass., facility. Under the settlement, Clean Harbors will pay a \$650,000 penalty and will spend \$1,062,500 on a Supplemental Environmental Project (SEP) consisting of planting approximately 1400 trees in low-income and historically-disadvantaged environmental justice areas in the city of Boston.
- Wright Brothers Construction Co., of Charleston, Tenn., and the Georgia Department of Transportation (GDOT) agreed to pay a \$1.5 million penalty and spend more than \$1.3 million to offset environmental damages to resolve alleged violations of the Clean Water Act (CWA). The civil penalty is one of the largest ever under the CWA provisions prohibiting the unauthorized discharge of dredged or fill material into waters of the United States. The complaint alleges that between 2004 and 2007, Wright Brothers, with approval from GDOT, piped and buried all or portions of seven primary trout streams in violation of the CWA. Wright Brothers was hired by GDOT to dispose of excess soil and rock generated during two GDOT highway expansion projects in northeast Georgia. Burying and piping streams can destroy valuable aquatic habitat and threatens water quality.

#### Future Plans in Implementing the Agreement

- Building on its commitment to ensuring strong protection from environmental and health hazards for all Americans, the Obama Administration announced Federal agencies have agreed to develop environmental justice strategies to protect the health of people living in communities overburdened by pollution and provide the public with annual progress reports on their efforts. Environmental Protection Agency Administrator Lisa P. Jackson, White House Council on Environmental Quality Chair Nancy Sutley and US Attorney General Eric Holder were joined by agency heads across the Administration in signing the “Memorandum of Understanding on Environmental Justice and Executive Order 12898”.

- The US Department of Energy announced nearly \$7 million over five years for independent cost analyses that will support research and development efforts for fuel cells and hydrogen storage systems. The four projects—in California, Ohio, and Virginia—will generate rigorous cost estimates for manufacturing equipment, labor, energy, raw materials, and various components that will help identify ways to drive down production costs of transportation fuel cell systems, stationary fuel cell systems, and hydrogen storage systems. These projects will provide important data that will help the Department focus future research and development funding on the fuel cell components and manufacturing processes that can deliver the greatest gains in efficiency.
- NOAA announced a new aquaculture initiative to help meet our country's growing demand for seafood, while creating jobs and restoring healthy ecosystems. The agency's Aquaculture Technology Transfer Initiative will foster public-private partnerships on regional projects that showcase innovative sustainable practices, jump start private sector investments, and create employment opportunities in coastal communities.
- The Department of Commerce announced \$102 million for three Louisiana projects in the Barataria and Terrebone basins, to restore deteriorated wetlands and barrier island habitats along the state's coast. These awards are funded by the Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA) program.
- The Department of Interior announced more than \$53 million in grants to 17 states to support conservation planning and acquisition of vital habitat for threatened and endangered fish, wildlife, and plants. The grants, awarded through the US Fish and Wildlife Service's (Service) Cooperative Endangered Species Conservation Fund (CESCF), will benefit numerous imperiled species ranging from the Peninsular bighorn sheep to the Karner blue butterfly.
- The Department of Energy announced more than \$175 million over the next three to five years to accelerate the development and deployment of advanced vehicle technologies. The funding will support 40 projects across 15 states and will help improve the fuel efficiency of next generation vehicles. The projects will target new innovations throughout the vehicle, including better fuels and lubricants, lighter weight materials, longer-lasting and cheaper electric vehicle batteries and components, more efficient engine technologies, and more. This comprehensive approach to vehicle efficiency research and development will help ensure the technologies are available to help automakers achieve recently announced fuel efficiency standards.
- The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) awarded more than \$25 million in Coastal Impact Assistance Program (CIAP) funding to the state of Louisiana. The funding is for the construction of a protective land bridge to safeguard against erosion and preserve marsh along the Lake Borgne shoreline, on the eastern edge of New Orleans. The state will partner with Orleans Parish in the proposed three-year Orleans Land Bridge Shoreline Protection project. This is one of the largest single CIAP grants to be awarded since the start of the program.
- US Department Energy and the US Department of the Interior will provide nearly \$17 million in funding over the next three years for research and development projects to advance hydropower technology. Sixteen projects in 11 states were selected through a competitive grant process for their ability to contribute to the development of innovative technologies that produce hydropower more efficiently, reduce costs and increase sustainable hydropower generation. The funding will help advance the Obama Administration's goal of meeting 80 percent of our electricity needs from clean energy sources by 2035.
- The US Environmental Protection Agency is requesting applications from states, municipalities, tribes and nonprofit organizations for new projects to protect and restore the Great Lakes. President Obama proposed a total of \$300 million in funding for the Great Lakes Restoration

Initiative in Fiscal Year 2011, with approximately \$40 million of that total allocated to EPA for distribution through this competitive grant program. The final budget is subject to Congressional appropriation.

- Obama Administration released the “National Strategy for Electronics Stewardship”—a strategy for the responsible electronic design, purchasing, management and recycling that will promote the burgeoning electronics recycling market and jobs of the future here at home. The announcement today includes the first voluntary commitments made by Dell, Sprint and Sony to EPA’s industry partnership aimed at promoting environmentally sound management of used electronics. The Administration’s strategy also commits the federal government to take specific actions that will encourage the more environmentally friendly design of electronic products, promote recycling of used or discarded electronics, and advance a domestic market for electronics recycling that will protect public health and create jobs.
- President Obama announced a historic agreement with thirteen major automakers to pursue the next phase in the Administration’s national vehicle program, increasing fuel economy to 54.5 miles per gallon for cars and light-duty trucks by Model Year 2025. The President was joined by Ford, GM, Chrysler, BMW, Honda, Hyundai, Jaguar/Land Rover, Kia, Mazda, Mitsubishi, Nissan, Toyota and Volvo—which together account for over 90% of all vehicles sold in the United States—as well as the United Auto Workers (UAW), and the State of California, who were integral to developing this agreement.
- The Department of Energy announced more than \$30 million for 24 universities in 23 states across the country to train undergraduate- and graduate-level engineering students in manufacturing efficiency to help them become the nation’s next generation of industrial energy efficiency experts. Each school will receive \$200,000 to \$300,000 per year for up to 5 years to help university teams to gain practical training on core energy management concepts through DOE’s successful Industrial Assessment Center program.
- The US Department of Energy announced two new initiatives to promote tribal energy development and continue strengthening the partnership between the Department of Energy and tribal nations. Up to \$10 million will be available in 2011 through DOE’s Tribal Energy Program to support the evaluation, development and deployment of energy efficiency and renewable energy projects on tribal lands that will help save energy and money, expand the use of renewable energy resources, and promote economic development for tribal communities.
- The Obama Administration announced the six winners of the i6 Green Challenge, an initiative to drive technology commercialization and entrepreneurship in support of a green innovation economy, increased US competitiveness and new jobs. Projects in Fla., Iowa, La., Mich., New England and Wash., will each receive up to \$1 million from the US Commerce Department’s Economic Development Administration (EDA) and up to \$6 million in additional funding and technical assistance from the US Departments of Agriculture and Energy, the US Environmental Protection Agency, the National Science Foundation, and Commerce’s National Institute of Standards and Technology and United States Patent and Trademark Office.
- The Department of the Interior announced more than \$53 million in grants to 17 states to support conservation planning and acquisition of vital habitat for threatened and endangered fish, wildlife, and plants. The grants, awarded through the US Fish and Wildlife Service’s (Service) Cooperative Endangered Species Conservation Fund (CESCF), will benefit numerous imperiled species ranging from the Peninsular bighorn sheep to the Karner blue butterfly.
- The US Environmental Protection Agency announced its final research plan on hydraulic fracturing. At the request of Congress, EPA is working to better understand potential impacts of hydraulic fracturing on drinking water resources. Natural gas plays a key role in our nation’s clean

energy future and the Obama Administration is committed to ensuring that we continue to leverage this vital resource responsibly. The initial research results and study findings will be released to the public in 2012. The final report will be delivered in 2014. To ensure that the study is complete and results are available to the public in a timely manner, EPA initiated some activities this summer that were supported by the SAB and provide a foundation for the full study.

- The Department of Energy will provide a \$60 million investment over 3 years for applied scientific research to advance cutting-edge Concentrating Solar Power (CSP) technologies. CSP technologies use mirrors to reflect and concentrate sunlight to produce heat, which can then be used to produce electricity. This research supports DOE's SunShot Initiative, a collaborative national effort to reduce the cost of solar energy 75 percent to make it cost competitive with other forms of energy by the end of the decade. DOE's SunShot investments in solar energy research will encourage rapid, widespread adoption of solar energy systems across the country, help the solar power industry overcome technical barriers and reduce costs, boost US competitiveness in the worldwide market for solar technologies, and provide support for clean energy jobs for years to come.
- The Gulf Coast Ecosystem Restoration Task Force released its final strategy for long term ecosystem restoration for the Gulf Coast, following extensive feedback from citizens throughout the region. With the release of the final strategy, the Task Force marks the beginning of the implementation phase of the strategy by announcing new initiatives, including \$50 million in assistance from the US Department of Agriculture's Natural Resources Conservation Service to help agricultural producers in seven Gulf Coast river basins improve water quality, increase water conservation and enhance wildlife habitat.
- The US Environmental Protection Agency and the US Department of Energy's National Renewable Energy Laboratory (NREL) are evaluating the feasibility of developing renewable energy production on Superfund, brownfields, and former landfill or mining sites. As part of the RE-Powering America's Land Initiative, EPA is investing approximately \$1 million for projects across the United States aiming to revitalize abandoned sites while protecting people's health, the environment and providing economic benefits to local communities, including job creation.
- The Department of Energy will provide \$43 million over the next five years to speed technical innovations, lower costs, and shorten the timeline for deploying offshore wind energy systems. The 41 projects across 20 states will advance wind turbine design tools and hardware, improve information about US offshore wind resources, and accelerate the deployment of offshore wind by reducing market barriers such as supply chain development, transmission and infrastructure. The awards announced today will help the US to compete in the global wind energy manufacturing sector, promote economic development and job creation, and support the development of an emerging industry that will provide clean electricity to American families.

## Conclusion

Calendar year 2011 was another excellent 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. From delivering higher fuel efficiency standards on automobiles and light trucks to rebuilding the Gulf Coast through interagency efforts, 2011 was a banner year for environmental protection in the United States. We look forward to continuing our commitment and taking the necessary actions in hopes of further improving the state of our environment in the years to come.

## 2011 Financial Statements



*Financial statements of*

**COMMISSION FOR  
ENVIRONMENTAL COOPERATION**

*December 31, 2011*

## COMMISSION FOR ENVIRONMENTAL COOPERATION

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## Independent auditor's report

To the Council of the  
Commission for Environmental Cooperation ("CEC")

We have audited the accompanying financial statements of CEC, which comprise the balance sheet as at December 31, 2011, 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 CEC as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Samson Belair/Deloitte & Touche s.e.n.c.r.l.<sup>1</sup>*

June 13, 2012

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A112643

## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Statement of revenue and expenditures

year ended December 31, 2011

(in Canadian dollars)

	2011	2010
	\$	\$
<b>Revenue</b>		
Contribution - Canada (Note 5)	2,273,057	3,036,122
Contribution - Mexico (Note 5)	2,273,057	3,036,122
Contribution - United States (Note 5)	2,273,057	3,036,122
Other revenue	16,639	12,031
	<b>6,835,810</b>	<b>9,120,397</b>
<b>Expenditures</b>		
Expenses related to the work program - Schedule	1,597,132	2,205,804
Expenses related to specific obligations - Schedule	298,620	379,310
Expenses related to Council meetings - Schedule	235,066	136,760
Expenses related to JPAC meetings - Schedule	271,210	337,417
Expenses related to Directorate operations	166,879	191,762
Expenses related to managing CEC information	86,813	77,517
Planning and evaluation	64,822	257,395
Public outreach	202,038	210,596
Salaries and employee benefits	3,515,756	3,614,060
Relocation and orientation expenses	74,700	42,719
Office expenses	54,908	40,318
Telecommunications	67,968	70,360
Rent, utilities and office maintenance	703,711	790,153
External administrative support	242,924	180,393
Operating equipment	62,533	54,283
Amortization of capital assets	22,391	20,454
Grants	137,000	171,397
Foreign exchange (gain) loss	(69,690)	345,571
	<b>7,734,781</b>	<b>9,126,269</b>
<b>Deficiency of revenue over expenditures</b>	<b>(898,971)</b>	<b>(5,872)</b>

# **COMMISSION FOR ENVIRONMENTAL COOPERATION**

## **Statement of changes in capital**

year ended December 31, 2011

(in Canadian dollars)

	Invested capital assets	Restricted currency fluctuation	North American Partnership for Environmental Community Action ("NAPECA")	Unrestricted	2011	Total 2010
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	115,089	501,000	-	6,520,905	7,136,994	7,142,866
Deficiency of revenue over expenditures	(22,391)*	-	-	(876,580)	(898,971)	(5,872)
Investment in capital assets	22,285	-	-	(22,285)	-	-
Internally imposed restriction	-	-	600,000	(600,000)	-	-
Balance, end of year	114,983	501,000	600,000	5,022,040	6,238,023	7,136,994

\* Amortization of capital assets

## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Balance sheet

as at December 31, 2011

(in Canadian dollars)

	2011	2010
	\$	\$
<b>Assets</b>		
Current assets		
Cash and temporary investments, bearing interest annually at 0.10%	5,228,542	5,509,047
Restricted cash and temporary investments, bearing interest annually at 1.00% (0.05% to 0.75% in 2010) (Note 6)	759,885	659,900
Goods and services tax	112,371	140,277
Contributions receivable	4,210,018	2,983,800
Advances to employees	826	1,689
Other receivables	2,288	3,883
Prepaid expenses	42,296	31,953
	10,356,226	9,330,549
Capital assets (Note 4)	114,983	115,089
	10,471,209	9,445,638
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	475,216	666,885
Deferred contributions (Note 5)	2,734,208	731,804
Employee benefits (Note 6)	759,885	659,900
Lease inducements	101,335	31,256
	4,070,644	2,089,845
Lease inducements	162,542	218,799
	4,233,186	2,308,644
Commitments (Note 8)		
<b>Capital</b>		
Invested in capital assets	114,983	115,089
Restricted for currency fluctuation	501,000	501,000
Restricted for NAPECA	600,000	-
Unrestricted	5,022,040	6,520,905
	6,238,023	7,136,994
	10,471,209	9,445,638

### Approved by the Council

..... Canada  
 ..... Mexico  
 ..... United States

## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Statement of cash flows

year ended December 31, 2011

(in Canadian dollars)

	2011	2010
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenditures	(898,971)	(5,872)
Adjustments for:		
Amortization of capital assets	22,391	20,454
Amortization of lease inducements	(43,757)	(31,257)
Unrealized foreign exchange (gain) loss	(97,837)	305,400
	(1,018,174)	288,725
Changes in non-cash operating working capital items (Note 7)	704,523	(1,312,317)
	(313,651)	(1,023,592)
<b>Investing activities</b>		
Acquisition of capital assets	(22,285)	(32,961)
Restricted cash and term deposits	(99,985)	(19,604)
Leasehold inducement	57,579	-
	(64,691)	(52,565)
Effect of foreign exchange on cash and cash equivalents	97,837	(305,400)
Decrease in cash and cash equivalents	(280,505)	(1,381,557)
Cash and cash equivalents, beginning of year	5,509,047	6,890,604
<b>Cash and cash equivalents, end of year</b>	<b>5,228,542</b>	<b>5,509,047</b>
<i>Cash and cash equivalents comprise:</i>		
Cash	1,067,342	635,507
Temporary investments	4,161,200	4,873,540
	5,228,542	5,509,047



## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Notes to the financial statements

December 31, 2011

(in Canadian dollars)

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#### 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 Canadian Institute of Chartered Accountants ("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 Canadian accounting standards for not-for-profit organizations, whichever suits them best. The Commission currently plans to adopt the new Canadian accounting standards for not-for-profit organizations. 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, 2011. 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, 2011

(in Canadian dollars)

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### 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, 2011

(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. Significant areas requiring the use of management estimates include useful lives of capital assets and accrued liabilities. Actual results could differ from these estimates.

### 4. Capital assets

	<b>2011</b>		<b>2010</b>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Computer equipment	400,772	375,653	25,119
Software	119,965	119,965	-
Furniture and fixtures	381,581	381,581	-
Telephone system	116,696	116,696	-
Equipment	186,047	156,818	29,229
Leasehold improvements	248,291	187,656	60,635
	<b>1,453,352</b>	<b>1,338,369</b>	<b>114,983</b>
			<b>115,089</b>

## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Notes to the financial statements

December 31, 2011

(in Canadian dollars)

#### 5. Deferred contributions

	Canada	Mexico	United States	Total
	\$	\$	\$	\$
Balance, beginning of year	243,934	243,935	243,935	731,804
Contributions committed	2,821,575*	3,000,000	3,000,000	8,821,575
Contributions transferred to revenue	(2,273,057)	(2,273,057)	(2,273,057)	(6,819,171)
Balance, end of year	792,452	970,878	970,878	2,734,208

\* The remaining contribution from Canada of \$178,425 was received in 2012 and used for the payment of expenses incurred in 2012 but related to the 2011 operational plan.

#### 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

	2011	2010
	\$	\$
Goods and services tax	27,906	(2,340)
Contributions receivable	(1,226,218)	(1,131,841)
Advances to employees	863	920
Other receivables	1,595	(343)
Prepaid expenses	(10,343)	(3,744)
Accounts payable and accrued liabilities	(191,669)	(446,207)
Deferred contributions	2,002,404	251,634
Employee benefits	99,985	19,604
	704,523	(1,312,317)

## COMMISSION FOR ENVIRONMENTAL COOPERATION

### Notes to the financial statements

December 31, 2011

(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:

	\$
2012	324,747
2013	324,542
2014	349,574
2015	351,127
2016	368,213
2017	368,213
2018	342,676
	<u>2,429,092</u>

- b) The Commission has commitments of \$944,434 related to the cooperative work program and of \$48,077 related to administration and support. These costs are projected to be incurred during the year ended December 31, 2012.

#### 9. Financial instruments

##### *Currency risk*

The Commission realizes 69% of its revenue and approximately 21% 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:

	2011 \$	2010 \$
U.S. dollars:		
Cash and temporary investments	4,358,277	5,254,046
Contributions receivable	3,201,516	2,983,800
Accounts payable and accrued liabilities	112,827	185,887
Pesos:		
Cash	22,843	34,840
Accounts payable and accrued liabilities	1,428	93,837

##### *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, JPAC meetings

December 31, 2011  
(in Canadian dollars)

	2011	2010
	\$	\$
<b>Work program</b>		
Professional fees	1,064,880	1,280,898
Travel, accommodation and meeting expenses	345,698	747,515
Publications	165,452	123,584
Office expenses	21,102	53,807
	<b>1,597,132</b>	<b>2,205,804</b>
<b>Specific obligations under the NAAEC</b>		
Professional fees	145,960	151,836
Travel, accommodation and meeting expenses	40,695	95,553
Publications	93,785	121,595
Office expenses	18,180	10,326
	<b>298,620</b>	<b>379,310</b>
<b>Council meetings</b>		
Professional fees	31,876	-
Travel, accommodation and meeting expenses	192,220	122,688
Publications	10,148	12,587
Office expenses	822	1,485
	<b>235,066</b>	<b>136,760</b>
<b>JPAC meetings</b>		
Professional fees	27,152	32,622
Travel, accommodation and meeting expenses	193,690	280,611
Publications	45,830	18,076
Office expenses	4,538	6,108
	<b>271,210</b>	<b>337,417</b>