

24 May 2006

COUNCIL RESOLUTION: 06-06

**Approval of use of surplus funds from financial year 2005 towards a partnership with the automotive industry**

THE COUNCIL:

REAFFIRMING the 2004 Puebla Declaration and Council Resolution 05-06 commitments to increase the involvement of private sector and other stakeholders in activities related to the implementation of the Commission for Environmental Cooperation's work program as it relates to the three priorities of the Puebla Declaration;

RECOGNIZING CEC's work on Greening Supply Chains in North America, and the Parties' experience, expertise, and efforts in greening supply chains;

NOTING that as one of the initial steps in developing an approach to involve private sector and other stakeholders in CEC activities that offer such opportunities within the CEC's work program, the CEC Council has proposed a partnership with the automotive sector to facilitate their efforts to green their supply chains in North America;

FURTHER NOTING that this proposal mainly consists of a program that will seek support from the industry to enhance the green supply chain efforts being implemented regionally and in each country, and seek efficiencies by sharing training tools and other resources among countries;

HEREBY:

AUTHORIZES and DIRECTS, in conformity with the North American Agreement on Environmental Cooperation and the CEC Council Rules of Procedure, that an amount not to exceed C\$100,000 from the CEC surplus funds from financial year 2005 be allocated in financial year 2006 to funding the initiative described above;

AGREES that these resources will be applied according to the specifications established in the attached document;

DIRECTS the Secretariat to undertake the activities assigned to it as outlined in the attached document;

AGREES that the Parties will seek additional resources and/or other assistance from industry and other institutions and organizations, as appropriate.

APPROVED BY THE COUNCIL:

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Judith E. Ayres  
Government of the United States of America

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José Manuel Bulás  
Government of the United Mexican States

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David McGovern  
Government of Canada

**Commission for Environmental Cooperation  
Expanding Partnerships with the Private Sector and other stakeholders –  
Partnership Project with the North American Auto Sector**

**Background and Purpose**

The CEC has made a commitment to expand partnerships with the private sector. The objective of this project is to implement a partnership engaging the private sector and demonstrating the value of collaboration between public and private stakeholders to improve environmental performance through greening the manufacturing process.

Building on the CEC approach to Greening the Supply Chain in North America, this partnership is designed to implement activities with the automotive sector, targeting companies with operations in Mexico, Canada, and the U.S. This project is intended as the first step in developing a CEC culture where the strategic engagement of the private sector to capitalize on synergies and maximize results is considered for every CEC project or effort that offers such opportunities. Other models or efforts may be developed or tailored by the Parties as appropriate, simultaneously, or as a result of this project.

**Approach**

Building on the CEC approach to Greening the Supply Chain in North America, this project is designed to implement similar activities with the automotive sector, targeting the potential that large companies have to influence and mentor their “supply chain” to improve business and environmental performance through such measures as pollution prevention, improved on-site chemicals management, implementation of waste exchange schemes, adoption of best practices, reducing the use of toxic and/or non-renewable materials, enhancing energy efficiency, and promoting consistent work practices and procedures to reduce environmental impacts.

In the North American context, supply chain projects also could be a cost-effective way to increase compliance with national environmental protection requirements. The critical role of industry in increasing environmental performance, in concert with the fair and consistent enforcement of environmental laws and other requirements by governments, is widely acknowledged. Accordingly, there are many examples of successful greening supply chain models and initiatives taken independently by companies in different sectors, with related business organizations and even with governments.

Successful implementation of this program by the companies and organizations being targeted may improve their business and environmental performance. To further incent the private sector to engage in the work of the CEC, the CEC Council may recognize

companies who improve their business and environmental performance through participation in this program.

More specifically, this partnership builds upon the CEC's initial work on greening the supply chain project, Canada's current green supply chain initiative, and the successful U.S. Green Suppliers Network (GSN) in the automotive sector<sup>1</sup>. This effort will call for major multinational automotive companies with supply chains that cross North American borders to target their small and medium size suppliers. Gaining the necessary commitment from this industrial sector (and potentially from the Suppliers Partnership (SP) for the Environment) to implement the project will be an essential step. Some key activities include:

- Ascertain the interest of potential partners in this collaborative effort;
- Gauge the willingness of potential partners to define more specific goals; objectives and measures for the collaboration and obtain commitments;
- Define challenges to the full implementation of this collaboration; and,
- Utilize steps necessary to build capacity for this collaboration.

Recognizing that many such suppliers may not have access to the technical expertise required to pursue green manufacturing, this partnership is expected to support mainly the capacity building priority of the Puebla Declaration, by developing tools and training that combine pollution prevention with accepted business approaches. In addition, this project is expected to: institute metrics to measure success, report results on a regular basis, and involve other stakeholders. Operationally, under the partnership, it is expected that the industry will:

- ready suppliers to participate in the program;
- provide staff to support design, development and implementation;
- provide initial cost-sharing for contractor support, if needed; and
- provide existing industry tools and technical resources for suppliers as appropriate.

The three countries working within the context of the CEC intend to:

- Act as facilitators between industry and other stakeholders to develop an economically independent and sustainable cadre of experts that can be deployed to assist suppliers on environmental manufacturing excellence. Such training could include: Lean and Clean, Environmental Management Systems, environmental activity-based costing and other measures. To measure the

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<sup>1</sup> A General Motors pilot began in February 2001 with four Saturn suppliers. This initial pilot identified \$1 million in potential cost savings and significant environmental improvements. This was the basis for the Green Suppliers Network. The automotive sector continues the work of the original pilot under the Suppliers Partnership for the Environment (SP).

success of the capacity building, the effort is expected to facilitate the measurement of the rate of training and the penetration of technical assistance with suppliers over time.

- Facilitate the development of goals and objectives, with measurable indicators of progress and monitoring of results achieved. Selected environmental metrics should be consistent across countries, with complementary individual national program metrics as appropriate. These metrics and measures for success are expected to foster transparency and cross country learning.

The project is expected to seek collaboration as well as to leverage additional technical and financial support from other organizations, such as other government institutions, trade associations, industry groups, and NGOs

The U.S. expects to:

- provide design support for the project by sharing lessons learned on setting up the project,
- provide training on technical assistance (to other government officials);
- facilitate the engagement of industry, and
- provide access to tools developed for GSN.

### **Draft Work Plan**

Building on the current efforts for Greening the Supply Chain in North America, this project is designed to implement greening supply chain activities with the automotive sector in North America. The project is expected to seek support from the industry to enhance the on-going green supply chain efforts in each country, and seek efficiencies by sharing training tools and other resources among countries.

Pursuant to the Puebla Declaration and Council Resolution 05-06 (Private Sector Involvement), the following plan requires party representatives leading this effort with support from the Secretariat. Successful completion of milestones will depend on the participation and involvement of local stakeholders, securing funding for development of technical experts, and engagement of suppliers.

Following the announcement of the Partnership at the 2006 Council Session, the partnership would be implemented as follows (note that although this plan considers a five-year period, the objective is to shorten the implementation time frame as possible, depending on the level of the auto industry's engagement and support):

#### **1. Support for Program Design**

Time frame: June 2006 – December 2006

- Trilateral meetings to share supply chain information with the objective to assess domestic capabilities to provide technical assistance

- Identification and engagement of stakeholders
  - Identification of management organization for process
- ACTION:** Two 3-day meetings with subsequent conference calls – The meetings should have time for government to government discussions and for exchanges with industry and other stakeholders.

#### **Possible Industry Contribution**

Participation in meetings and secure the participation of suppliers.  
Provide resources for the management organization of the process to design the program, including travel.

#### **CEC Resource Requirement**

Facilitation of meetings and conference calls.

### **2. Agreement on Program Implementation Plan**

Time frame: January – June 2007

**ACTION:** One 2-day meeting with conference calls

**Deliverables: Official Implementation Plan for Program**

#### **Possible Industry Contribution**

Participation in the development of the program implementation plan and agreement to participate in the implementation.

#### **CEC Resource Requirement**

Facilitation of meetings and conference calls, including assistance with drafting and revising the Implementation Plan for the program.

### **3. Capacity Building**

Time frame: June 2007 – December 2009

- Access to existing tools  
Existing tools in the three countries are expected to be made available for industry and other stakeholders and evaluated to determine if they are useful to implement the program. For example, in the U.S. there is a training module for merging pollution prevention into Lean tools.
- Provide web-based or on-site training on green supply tools.  
Tools developed or adapted for the trilateral effort can be adapted for a web-based or on-site training. For example, the U.S. has a cadre of trainers to deliver the tool to its US practitioners; these tools could be adapted to a web-based or on-site training.

**Deliverables: 4-5 Train the Trainer Courses with a Particular Focus on Mexican Technical Assistance Practitioners.**

#### **Possible Industry Contribution**

Share industry based tools  
Contribute resources for technical assistance training, including traveling  
Development of a “North American” green supply web site to host the web-based training

**CEC Resource Requirement**

Facilitate development of training materials for Mexico, either using current tools available or creating new training materials.

4. Program Implementation  
Time frame: January 2008 - June 2010

Trilateral cooperation is expected to be provided to implement the program work, with a particular focus to assist Mexico during implementation, to ensure access to marketing materials to attract suppliers, and to establish environmental metrics and reporting mechanisms.

**Deliverables: Establishment of Supply Chain Program  
Conduct Supplier Assessments**

**Possible Industry Contribution**

Engage suppliers to participate in program

**CEC Resource Requirement**

Support implementation of Program.

Set up a system to record assessments and monitor environmental metrics of the program. Continue facilitation of exchange of information among the three countries and with stakeholders regarding the implementation of the program

5. Program Evaluation  
Time frame: June 2010 – December 2010

Third party organization engaged to collect data and evaluate performance of program. Present results to all stakeholders with recommendations for future actions.

**Deliverable: Final Evaluation Report**

**Possible Industry Contribution**

Engage in evaluation process.

**CEC Resource Requirement**

Facilitate evaluation report by providing information regarding the program.

**2006 Estimated Cost: CN\$ 100,000**