CHAPTER 18

ENVIRONMENT AND THE TRANSITION TO NET ZERO

Article 18.1

Definitions

For the purposes of this Chapter, “protection of the environment” includes:

(a) the prevention, abatement, or control of the release, discharge, or emission of pollutants or environmental contaminants, including greenhouse gases;

(b) the management of chemicals and waste or the dissemination of information related thereto;

(c) the conservation and protection of wild flora or fauna, including endangered species and their habitats, as well as protected areas; and

(d) the prevention of a danger to life or health from environmental impacts.

Article 18.2

Objectives

1. The objectives of this Chapter are to:

(a) promote mutually supportive trade and environmental protection policies;

(b) encourage high levels of protection of the environment, including through the maintenance, implementation and enforcement of environmental laws and regulations; and

(c) enhance cooperation between the Parties to address trade-related environmental issues.

2. Taking into account their respective domestic priorities and circumstances, the Parties recognise that enhanced cooperation towards the Parties’ respective transition efforts to reach net zero emissions by 2050, to protect and conserve the environment and sustainably manage their natural resources brings benefits that can contribute to sustainable development, strengthen their environmental governance, and complement the objectives of this Agreement.

Article 18.3

General Provisions

1. The Parties recognise the triple planetary crisis of climate change, pollution and biodiversity loss, and the importance of mutually supportive trade and environmental policies and practices to improve environmental protection in pursuance of sustainable development.

2. The Parties recognise the importance of collaborating on the transition toward net zero emissions by 2050 in light of the significant complementarities between their economies and the potential for trade and investment between the Parties, together with other forms of joint activity including those set out in paragraph 5 of Article 18.5 (Climate Change), to contribute to both Parties’ achievement of net zero.

3. The Parties recognise the importance of the protection of the environment and of improving the levels of that protection.

4. The Parties recognise the importance of the effective enforcement of their environment laws.

5. The Parties recognise the importance of ensuring that environmental laws or other environmental measures are not used to restrict trade and investment between the Parties.

6. The Parties recognise that it is inappropriate to encourage trade or investment by weakening or reducing the protection afforded in their respective environmental laws.

Article 18.4

Multilateral Environmental Agreements

1. The Parties recognise that multilateral environmental agreements to which they are party play an important role, globally and domestically, in protecting the environment, and that their respective implementation of these agreements is critical to achieving the environmental objectives of these agreements. Accordingly, the Parties recognise the importance of implementing the multilateral environmental agreements to which the Parties are party.

2. The Parties emphasise that negotiating and implementing multilateral environment agreements and trade agreements is important to ensure the mutual supportiveness between trade and environmental law and policies. To this end, the Parties understand the importance of dialogue between the Parties on such agreements.

3. In accordance with Article 18.18 (Cooperation Frameworks) the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest related to the implementation of multilateral environment agreements to which the Parties are party.

Article 18.5

Climate Change

1. The Parties affirm their commitment to the *United Nations Framework Convention on Climate Change* done at New York on 9 May 1992 and the *Paris Agreement* done at Paris on 12 December 2015, to which the Parties are party, and recognise the importance of achieving their goals.

2. The Parties emphasise that efforts to address climate change require collective and urgent action, and acknowledge the role of global trade, technology and investment in these efforts.

3. The Parties recognise the important role that cooperation can play in addressing climate change and their respective transition to net zero emissions. In accordance with Article 18.18 (Cooperation Frameworks), the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest, which may include:

(a) emission reduction opportunities across all sectors and greenhouse gases;

(b) exchange on policies, laws, and measures that can contribute to a reduction in greenhouse gas emissions;

(c) development and acceleration of cost-effective, low carbon and zero emissions solutions;

(d) clean and renewable energy sources and supporting infrastructure and green enabling technologies;

(e) energy efficiency;

(f) sustainable transport and sustainable urban infrastructure development;

(g) addressing deforestation and forest degradation;

(h) emissions measurement, reporting, and verification;

(i) climate change adaptation and resilience;

(j) nature-based solutions to mitigate and adapt to the impacts of climate change; and

(k) capacity building for climate vulnerable countries.

Article 18.6

Environmental Goods and Services

1. The Parties recognise the importance of trade and investment in environmental goods and services as a means of improving environmental and economic performance, supporting inclusive economic growth, contributing to green growth, and addressing global environmental challenges.

2. Accordingly, the Parties shall endeavour to facilitate and promote, as appropriate, through their respective trade and investment promotion agencies, bilateral trade and investment in environmental goods and services, including those supporting the use of clean, renewable and efficient energy technology and solutions that contribute to achieve net zero emissions.

3. The Parties shall cooperate bilaterally and in international fora, as appropriate, on ways to enhance trade and investment in environmental goods and services.

Article 18.7

Circular Economy

1. The Parties recognise the importance of a transition towards a circular economy and the role that minimising waste generation and greater resource efficiency can play in reducing pressure on the natural environment, improving resource security, and reducing other associated negative environmental effects. The Parties further recognise the role that trade can play in achieving these goals through trade in second-hand goods, end-of-life products, secondary materials, processed waste, as well as trade in related services.

2. The Parties recognise the importance of minimising the generation of waste and encouraging resource efficient product design, including the designing of products to be easier to reuse, dismantle, or recycle at end of life, including through research and development. The Parties also recognise the importance of encouraging environmental labelling, including eco-labelling, to make it easier for consumers to make more sustainable choices.

3. The Parties emphasise the policy objectives that promote and facilitate the transition to a circular economy, including but not limited to, product stewardship, environmentally-sound management of waste and enhancing recycling capabilities with strengthened regulatory frameworks, and traceability rules for recycled content.

4. In accordance with Article 18.18 (Cooperation Frameworks), the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest related to the transition towards a circular economy. Areas of cooperation may include:

(a) barriers to trade in relation to the circular economy;

(b) environmental labelling, including eco-labelling;

(c) sustainable supply chain management, including enhanced reverse logistics;

(d) investment in, and financing of, circular economy projects;

(e) reuse, repair, remanufacture, and recycling;

(f) resource efficient product design that makes products more durable and easier to repair, recycle, and reuse;

(g) extended producer responsibility;

(h) technological innovation related to the circular economy including innovative approaches to recycling and litter reduction, processing waste, waste tracking mechanisms, data collection, sustainable packaging, and alternative materials;

(i) best practice in resource efficiency in key fields such as industrial symbiosis, sustainable use of chemicals, and new business models such as product service systems;

(j) approaches to reducing the amount of waste sent to landfill and accelerating the movement of waste further up the waste hierarchy; and

(k) best practice on sustainable management of hazardous wastes.

Article 18.8

Ozone Depleting Substances and Hydrofluorocarbons

1. The Parties recognise that emissions of certain substances can significantly deplete and otherwise modify the ozone layer in a manner that is likely to result in adverse effects on human health and the environment, and that the reduction of certain substances can address global environmental challenges, including climate change. Accordingly, the Parties affirm their commitment to the *Montreal Protocol*.[[1]](#footnote-2)

2. The Parties also recognise the importance of public participation and consultation, in accordance with their respective laws or policies, in the development and implementation of measures concerning the protection of the ozone layer. The Parties aim to make publicly available appropriate information about their programmes and activities, including cooperative programmes, that are related to ozone depleting substances and hydrofluorocarbons.

3. In accordance with Article 18.18 (Cooperation Frameworks), the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest related to ozone-depleting substances and hydrofluorocarbons. Cooperation may include exchanging information and experiences in areas related to:

(a) environmentally friendly alternatives to ozone-depleting substances and hydrofluorocarbons, as well as emerging technologies for sustainable cooling refrigeration and other relevant industrial applications;

(b) refrigerant management practices, policies, and programmes, including lifecycle management of coolants refrigerants and other relevant industrial applications;

(c) methodologies for stratospheric ozone measurements;

(d) combating illegal trade in ozone-depleting substances and hydrofluorocarbons; and

(e) barriers to trade in, and uptake of, sustainable cooling and refrigeration and other relevant technologies.

Article 18.9

Air Quality

1. The Parties acknowledge that trade involving production, consumption, and transportation of goods across air, sea and land can cause air pollution and that air pollution can travel long distances. To this end, the Parties recognise that bilateral cooperation can be beneficial in reducing such air pollution.

2. The Parties recognise the importance of public consultation, in accordance with their respective laws or policies, in the identification, development and implementation of measures to improve air quality.

3. In accordance with Article 18.18 (Cooperation Frameworks) the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest with respect to air quality.

**Article 18.10**

**Pollution**

1. The Parties emphasise the importance of protecting human health and the environment from pollution. To that end, the Parties affirm their commitment to the *International Convention for the Prevention of Pollution from Ships* (“MARPOL Convention”), and any existing and future amendments to the MARPOL Convention to which the Parties are party, and to prevent and reduce plastic pollution and marine litter.

2. In recognition of the global nature of this challenge, the Parties recognise United Nations Environment Assembly Resolution 5/14 entitled “*End plastic pollution: Towards an international legally binding instrument*” adopted on 2 March 2022, and other relevant international agreements to which the Parties are signatories.

3. The Parties also acknowledge the importance of establishing and maintaining environmental laws and policies to prevent, control and reduce plastic pollution and marine litter.

4. The Parties also recognise the importance of public consultation, in accordance with their respective laws or policies, in the development and implementation of measures to prevent the pollution of the marine environment from ships. The Parties aim to make publicly available appropriate information about their programmes and activities, including cooperative programmes, that are related to the prevention of pollution of the marine environment from ships.

5. In accordance with Article 18.18 (Cooperation Frameworks), the Parties shall cooperate, as appropriate, to address trade-related matters of mutual interest with respect to combatting plastic pollution, marine litter and pollution of the marine environment from ships.

Article 18.11

Sustainable Water Management

1. The Parties recognise the crucial role of water in climate change adaptation and mitigation and that sustainable water management is essential for efforts towards climate resilience, social well-being and the transition to green economies.

2. The Parties shall cooperate on efforts to develop and implement water-related climate solutions, such as addressing water pollution, improving wastewater management and treatment, enhancing circular systems of reusing and recycling water, water efficiency and sustainability as well as strengthening water governance and water resources management, protecting and restoring water-associated ecosystems, and encouraging investment in sustainable water-related infrastructure.

Article 18.12

Action on Coastal Blue Carbon Ecosystems, including Mangroves

1 The Parties recognise the importance of coastal wetlands or ‘blue carbon ecosystems’ – including mangroves, tidal marshes and seagrass – for climate change mitigation and adaptation, protection of biodiversity, including threatened species, disaster risk reduction and the livelihoods of coastal communities.

2 The Parties also recognise the importance of robust methodologies for measuring, reporting on, verification of, and managing blue carbon stocks.

3 The Parties affirm their commitment to the International Partnership for Blue Carbon and the Mangrove Alliance for Climate.

4 The Parties shall endeavour to conserve and restore blue carbon ecosystems, including through consideration of nature-based solutions for mitigation of and adaptation to climate change, improving biodiversity and by drawing on traditional and Indigenous knowledge.

5 The Parties shall cooperate, as appropriate, in knowledge and best practice sharing to strengthen protection and restoration of blue carbon ecosystems, as well as by collaboration and capacity building through existing initiatives.

Article 18.13

Marine Wild Capture Fisheries

1. The Parties acknowledge their role as major consumers, producers and traders of fisheries products, and the importance of the marine fisheries sector to their development and to the livelihoods of their fishing communities, including artisanal or small-scale fisheries. The Parties also acknowledge that the fate of marine capture fisheries is an urgent resource problem facing the international community. Accordingly, the Parties recognise the importance of taking measures aimed at the conservation and the sustainable management of fisheries.

2. In this regard, the Parties acknowledge that inadequate fisheries management, fisheries subsidies that contribute to overfishing and overcapacity, and illegal, unreported, and unregulated (“IUU”) fishing[[2]](#footnote-3) can have significant negative impacts on trade, development and the environment, and recognise the need for individual and collective action to address the problems of overfishing and unsustainable utilisation of fisheries resources.

3. The Parties shall endeavour to operate a fisheries management system, including among others those with a national or regional focus, that regulates marine wild capture fishing that is designed to:

(a) prevent overfishing and overcapacity;

(b) reduce bycatch of non-target species and juveniles, including those that may be endangered, through but not limited to the regulation of fishing gear that results in bycatch and the regulation of fishing in areas where bycatch is likely to occur; and

(c) promote the recovery of overfished stocks for all marine fisheries in which that Party’s persons conduct fishing activities.

Such fisheries management systems shall be based on the best scientific evidence available and on internationally recognised best practices for fisheries management and conservation as reflected in the relevant provisions of international instruments aimed at ensuring the sustainable use and conservation of marine species.[[3]](#footnote-4)

5. Each Party shall endeavour to promote the long-term conservation of sharks, marine turtles, seabirds and marine mammals, including migratory species, through the implementation and effective enforcement of conservation and management measures. Those measures may include, as appropriate:

(a) for sharks, the collection of species-specific data, fisheries bycatch mitigation measures, catch limits, and finning prohibitions; and

(b) for marine turtles, seabirds, and marine mammals, fisheries bycatch mitigation measures, conservation and relevant management measures, prohibitions, and other measures in accordance with relevant international agreements to which the Party is party.

5. With respect to fisheries subsidies, the Parties affirm the provisions of the WTO Agreement on Fisheries Subsidies, and any amendments thereto, set out in the Annex to the Protocol amending the *Marrakesh Agreement Establishing the WTO attached to Ministerial Decision* of 17 June 2022 (“Fisheries Subsidies Agreement”).

6. For greater certainty, the affirmation made in paragraph 5 is without regard to whether the Fisheries Subsidies Agreement is in effect.

7. The Parties recognise the importance of concerted international action to address IUU fishing as reflected in regional and international instruments[[4]](#footnote-5) and shall endeavour to support efforts to combat IUU fishing practices and help deter trade in products from species harvested from those practices. In this regard, the Parties shall endeavour to cooperate, as appropriate, including with and through competent international organisations.

8. Each Party shall endeavour, to the extent possible, provide the other Party with the opportunity to comment on proposed measures that are designed to prevent trade in fisheries products that result from IUU fishing.

Article 18.14

Trade and Biodiversity

1. The Parties recognise the importance of conservation and sustainable use of biodiversity, including marine biodiversity, and their key roles in achieving sustainable development.

2. Accordingly, each Party shall promote and encourage the conservation and sustainable use of biological diversity, in accordance with its law and policy.

3. The Parties recognise the impact of international trade on the health of the world’s ocean and shall endeavour to sustainably manage 100% of the ocean area within their national waters, guided by Sustainable Ocean Plans, in accordance with the High-Level Panel for a Sustainable Ocean Economy.

4. The Parties affirm their commitment to the *Convention on Biological Diversity* done at Rio de Janeiro on 05 June 1992 byimplementing the *Kunming-Montreal Global Biodiversity Framework*, done at Montreal on 19 December 2022.

5. The Parties recognise the internationally legally binding instrument, the *Agreement under the* *United Nations Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction* done at New York on 19 June 2023 (the “BBNJ Agreement”), as a milestone for the protection of the world’s ocean and an important addition to the global rules-based order.

6. The Parties recognise the BBNJ Agreement will play an important role in achieving the Kunming-Montreal Global Biodiversity Framework target to protect 30 per cent of marine and coastal areas by 2030 by providing a mechanism for establishing marine protected areas in areas beyond national jurisdiction.

7. The Parties recognise the importance of facilitating access to genetic resources within their respective domestic jurisdictions, consistent with each Party’s international obligations. The Parties further recognise that they may require, through domestic measures, prior informed consent to access those genetic resources in accordance with their respective domestic measures and, where such access is granted, the establishment of mutually agreed terms, including with respect to sharing of benefits from the use of those genetic resources between users and providers.

8. The Parties also recognise the importance of public participation and consultation, in accordance with their respective law and policy, in the development and implementation of measures concerning the conservation and sustainable use of biological diversity. The Parties aim to make publicly available information, as appropriate, about their programmes and activities, including cooperative programmes, related to the conservation and sustainable use of biological diversity.

9. In accordance with Article 18.18 (Cooperation Frameworks), the Parties shall cooperate, as appropriate, on trade-related matters of mutual interest. Cooperation may include exchanging information and experiences in areas related to:

(a) monitoring the conservation and sustainable use of biodiversity;

(b) the protection and maintenance of ecosystems and ecosystem services, including marine ecosystems;

(c) embedding biodiversity considerations into policies, strategies, and practices of public and private actors in relevant sectors; and

(d) safeguarding wild and managed pollinators, and promoting the sustainable use of pollination services.

Article 18.15

Invasive Alien Species

1. The Parties recognise that the movement of terrestrial and aquatic invasive alien species across borders through pathways, including trade-related pathways, can adversely affect the environment, economic activities and development, and plant, animal, and human health. The Parties also recognise that the prevention, surveillance, detection, control, and, when possible, eradication, of invasive alien species are critical strategies for managing those adverse impacts.

2. Accordingly, the Parties shall endeavour to identify cooperative opportunities to share information and management experiences on the movement, prevention, detection, control, and eradication of invasive alien species, with a view to enhancing efforts to assess and address the risks and adverse impacts of invasive alien species.

Article 18.16

Conservation and Illegal Wildlife Trade

1. The Parties affirm the importance of combating the illegal take[[5]](#footnote-6) of, and illegal trade in, wild fauna and flora, and acknowledge that this trade undermines efforts to conserve and sustainably manage those natural resources, has social consequences, distorts legal trade in wild fauna and flora, and reduces the economic and environmental value of these natural resources.

2. Accordingly, the Parties affirm their commitment to the *Convention on International Trade in Endangered Species of Wild Fauna and Flora* done at Washington D.C. on 3 March 1973 (“CITES”).[[6]](#footnote-7)

3. The Parties agree to promote conservation and to combat the illegal take of, and illegal trade in, wild fauna and flora. To that end, the Parties shall endeavour to, consistent with their respective laws and regulations and in accordance with international agreements to which the Parties are party:

(a) combat and prevent the illegal take of, and illegal trade, in wild fauna and flora, including combating illegal logging and associated illegal trade, and promoting the legal trade in associated products;

(b) identify opportunities to enhance law enforcement, for example by creating and participating in law enforcement networks, exchanging information and experiences, and undertaking, as appropriate, joint activities on conservation issues of mutual interest, including through relevant regional and international fora; and

(c) to implement, as appropriate, CITES resolutions that aim to protect and conserve species whose survival is threatened by international trade.

4. Each Party shall endeavour to:

(a) take appropriate measures to protect and conserve wild fauna and flora that it has identified to be at risk within its territory, including measures to conserve the ecological integrity of specially protected natural areas, for example wetlands among others; and

(b) maintain or strengthen government capacity and institutional frameworks to promote sustainable forest management and wild fauna and flora conservation, and may promote public participation and transparency in these institutional frameworks.

Article 18.17

Corporate Social Responsibility

Each Party shall endeavour to encourage enterprises operating within its territory or jurisdiction, to voluntarily adopt, into their policies and practices, principles of corporate social responsibility that are related to the environment, consistent with internationally recognised standards and guidelines that have been endorsed or are supported by that Party.

Article 18.18

Cooperation Frameworks

1. The Parties recognise the importance of cooperation as a mechanism to implement this Chapter, to enhance its benefits and to strengthen the Parties’ joint and individual capacities to protect the environment and to promote sustainable development and green growth as they strengthen their trade and investment relations while transitioning to greener economies.

2. Accordingly, the Parties shall cooperate, as appropriate, on the matters identified in this Chapter, or any other matter as mutually agreed. Such cooperation may take place bilaterally.

3. The Parties may:

(a) share their priorities for cooperation, including the objectives of that cooperation;

(b) propose cooperation activities related to the implementation of this Chapter, including relevant discussions of their transition to net zero; and

(c) develop and participate in cooperation activities and programmes as agreed.

4. Cooperation may be undertaken through various means including

(a) dialogues, workshops, seminars, conferences, collaborative programmes, and projects;

(b) technical assistance to promote and facilitate cooperation and training, the sharing of information, data, and evidence based practices on policies and procedures; and

(c) the exchange of experts.

5. The Parties may promote public participation in the development and implementation of cooperative activities, as appropriate.

6. All cooperative activities under this Chapter are subject to the availability of funds and of human and other resources, and to the applicable laws and regulations of the Parties.

Article 18.19

Environment Contact Points

Each Party shall designate and notify a contact point from its relevant authorities within 90 days of this Agreement's entry into force to facilitate communication between the Parties in implementing this Chapter. Each Party shall promptly notify the other Party in the event of any change to its contact point.

Article 18.20

Non-Application of Dispute Settlement

The Parties shall not have recourse to dispute settlement under Chapter 25 (Dispute Settlement) for any matter arising under this Chapter.

1. For greater certainty, this provision pertains to substances controlled by the *Montreal Protocol on Substances that Deplete the Ozone Layer*, done at Montreal on 16 September 1987 (“Montreal Protocol”), and any existing amendments or adjustments to the Montreal Protocol, including the *Kigali Amendment* done at Kigali on15 October 2016, and any future amendments or adjustments to which the Parties are parties. [↑](#footnote-ref-2)
2. The term “illegal, unreported and unregulated fishing” is to be understood to have the same meaning as paragraph 3 of the *International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing* (“2001 IUU Fishing Plan of Action”) of the UN Food and Agricultural Organisation, adopted at Rome in 2001. [↑](#footnote-ref-3)
3. These instruments include, among others, and as they may apply, *United Nations Convention on the Law of the Sea done at Montego Bay* on10 December 1982 (“UNCLOS”), the *United Nations Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea* of December 1982 relating to the *Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks*, done at New York on 4 December 1995. [↑](#footnote-ref-4)
4. Regional and international instruments include, among others, and as they may apply, the *2001 IUU Fishing Plan of Action* and the *2005 Rome Declaration on IUU Fishing* adopted in Rome on 12 March 2005, as well as instruments establishing and adopted by Regional Fisheries Management Organisations. [↑](#footnote-ref-5)
5. The term “take” here means captured, killed, or collected and, with respect to a plant, also means harvested, cut, logged or removed. [↑](#footnote-ref-6)
6. 6 For the purposes of this Article, a Party’s CITES obligations include existing and future amendments to which it is a Party and any existing and future reservations, exemptions, and exceptions applicable to it. [↑](#footnote-ref-7)