VOLKSWAGEN PARTIAL EMISSION SETTLEMENT

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Agenda Item 2

Metropolitan Washington
Council of Governments

Introduction & Background

- On June 28, the United States lodged with the Court a settlement that partially resolves allegations that Volkswagen violated the Clean Air Act by the sale of approximately 500,000 vehicles containing 2.0 liter diesel engines equipped with defeat devices
- Consent Decree Effective October 25, 2016
- The settlement consists of three major components:
  - Buyback, lease terminations, or emissions modification on at least 85 percent of the subject vehicles; $10 billion
  - Invest $2 billion to promote the use of ZEVs and in setting up ZEV infrastructure over a 10-year period, access and awareness initiatives
  - **Pay $2.7 billion to fully remediate the excess NO_x emissions from the subject vehicles (Mitigation Trust Fund)**
- Settlement pending for 3.0l diesel engines

ZEV Investment

- VW must invest $2 billion over 10 years
  - $1.2 billion National ZEV Investment (excludes CA) to be made over four 30-month cycles, $300 million each cycle
  - $800 million California ZEV Investment

- VW investment plan must advance the use and market penetration of ZEVs, have a high likelihood of utilization, provide accessibility/availability where most needed, and build positive awareness of ZEVs

- VW's investments must be additional investments beyond what it planned to invest before the settlement & what is required by law

- For the National ZEV investment, VW is required to develop a National Outreach Plan to solicit input from states, local governments, tribes, & federal agencies

Eligible ZEV Investment Examples

- For the $1.2 billion National ZEV Investment
  - ZEV infrastructure
    - Level 2 charging at multi-unit dwellings, workplaces, and public sites
    - DC fast charging facilities accessible to all vehicles utilizing non-proprietary connectors
    - Later generations of charging infrastructure
    - Hydrogen or other ZEV fueling stations
  - ZEV Education
    - Brand-neutral education or public outreach
    - Goal is to increase public awareness of ZEVs
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  - ZEV Access
    - Programs to increase public exposure and/or access to ZEVs without requiring the consumer to purchase or lease a ZEV at full market value
    - Carshare and ride hailing services, ride and drives

Mitigation Trust Fund

Purpose: To fund Eligible Mitigation Actions to achieve reductions of NOx emissions in the United States

- $2.7 billion Trust Fund
- Each state and the District to receive an allocation of funds that can be used for any of the listed eligible mitigation actions (at least $7.5M)
- The allocation is primarily based on the number of Volkswagen 2.0 Liter Subject Vehicles registered within the jurisdictions of the beneficiaries
- Beneficiary jurisdictions need to spend at least 80% of allocation within 10 years
- Up to 15% can be used for project/program administration by beneficiary

Mitigation Trust Fund

A Certification for Beneficiary Status agreement that identifies the lead agency is due within 60 days of the Trust being established ("Trust Effective Date")

- Light duty ZEV supply equipment:

  Up to 15% or $1.125M
- Administration (by Beneficiary and any contractors): Up to 15% or $1.125M

Eligible Mitigation Projects
Large Trucks, Buses, and Medium Trucks

Class 8 Freight, Class 4-8 Buses, Class 4-7 Local Freight

- Government Owned
  - 100% of cost – Engine Repower w/new diesel, AF, Hybrid or Electric engine*
  - 100% of cost – Scrap and Replace Vehicle w/new diesel, AF, Hybrid or Electric vehicle
- Non-Government Owned
  - 40% of cost – Engine Repower w/new diesel, AF, or Hybrid*
  - 25% of cost – Scrap and Replace Vehicle w/new diesel, AF, or Hybrid vehicle
  - 75% of cost – Engine Repower w/new All-Electric engine*
  - 75% of cost – Scrap and Replace Vehicle w/new All-Electric

** Costs include installation of an engine and charging infrastructure*

Eligible Mitigation Projects
Forklifts and Port Cargo Handling Equipment

Forklifts w/>8000lb lift capacity

- Government Owned
  - 100% of cost – Engine Repower w/All-Electric engine*
  - 100% of cost – Scrap and Replace Forklift w/All-Electric*
- Non-Government Owned
  - 75% of cost – Engine Repower w/All-Electric engine*
  - 75% of cost – Scrap and Replace Forklift w/All-Electric*

** Costs include charging infrastructure (and installation of an engine where applicable)*

Eligible Mitigation Projects
Freight Switchers

Pre-Tier 4 switcher locomotives that operate >1000 hours per year

- Government Owned
  - 100% of cost – Engine Repower w/new diesel, AF, Hybrid or All-Electric engine or Generator Sets*
  - 100% of cost – Scrap and Replace Freight Switcher w/new diesel, AF, Hybrid or All-Electric
- Non-Government Owned
  - 40% of cost – Engine Repower w/new diesel, AF, or Hybrid or Gen Sets*
  - 25% of cost – Scrap and Replace Freight Switcher w/new diesel, AF, or Hybrid
  - 75% of cost – Engine Repower w/All-Electric engine*
  - 75% of cost – Scrap and Replace w/All-Electric Freight Switcher*

** Costs include charging infrastructure (and installation of an engine where applicable)*

Eligible Mitigation Projects
Ferries, Tugs, & Ocean-Going Vessels Shorepower

Unregulated, Tier 1, or Tier 2 Marine Engines

- Government Owned
  - 100% of cost – Engine Repower w/new diesel, AF, Hybrid or All-Electric engine*
- Non-Government Owned
  - 40% of cost – Engine Repower w/new diesel, AF, or Hybrid)*
  - 75% for Engine Repower w/All-Electric engine*

Marine Shorepower (*e.g.*, cables, cable management systems, shore power coupler systems, distribution control systems, installation, and power distribution components)

- Government Owned
  - 100% of cost associated with the shore-side system
- Non-Government Owned
  - 25% of cost associated with the shore-side system

** Costs include charging infrastructure (and installation of an engine where applicable)*

Eligible Mitigation Projects
Airport Ground Support Equipment

Tier 0, Tier 1, or Tier 2 (diesel equipment); uncertified or certified to 3 g/bhp-hr or higher emissions (spark ignition engine)

- Government Owned
  - 100% of cost – Engine Repower w/All-Electric engine*
  - 100% of cost – Scrap and Replace Equipment w/new All-Electric*
- Non-Government Owned
  - 75% of cost – Engine Repower w/All-Electric engine*
  - 75% of cost – Scrap and Replace Forklift w/All-Electric*

** Costs include charging infrastructure (and installation of an engine where applicable)*

DERA Option

- Option to use Trust Funds for actions not specifically listed but otherwise eligible under DERA
- Beneficiaries may use Trust Funds for their DERA non-federal voluntary match
- Trust Funds cannot be used to meet DERA non-federal mandatory cost share requirements
- State and tribal DERA grants only

Note: Timing of DERA State FY2017 grants will not match up with availability of trust funds

  - Grantees can add voluntary funds (trust funds) later to FY2017 grants or wait until FY2018 grants

- Resources on the DERA Option:
  - cleandiesel@epa.gov; 1-877-623-2322; www.epa.gov/cleandiesel

Environmental Justice

- Environmental Justice communities will benefit from the Mitigation Trust because:
  - Beneficiaries are required to consider Environmental Justice communities in planning
  - The no cost-share requirement for government-owned equipment will allow governments to direct the Trust Funded projects to low-income communities

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