



Volkswagen Settlement – Overview and Opportunities for State Energy Officials

National Association of State Energy Officials
July 21, 2016

+ Agenda

- Settlement Overview
- Zero Emission Vehicle (ZEV) Investment Program
- Environmental Mitigation Program
- Next Steps and Opportunities for States



+ Settlement Overview

- U.S. EPA filed a complaint against Volkswagen, AG alleging that the defendants violated the Clean Air Act with regard to approximately 580,000 model year 2009 to 2016 motor vehicles containing 2.0 and 3.0 liter diesel engines.
- EPA's complaint alleges that each vehicle contains computer algorithms that cause the emissions control system of those vehicles to perform differently during normal vehicle operation and use than during emission testing, and that during normal operation and use the vehicles emit levels of nitrogen oxides (NOx) significantly in excess of EPA's compliance levels.

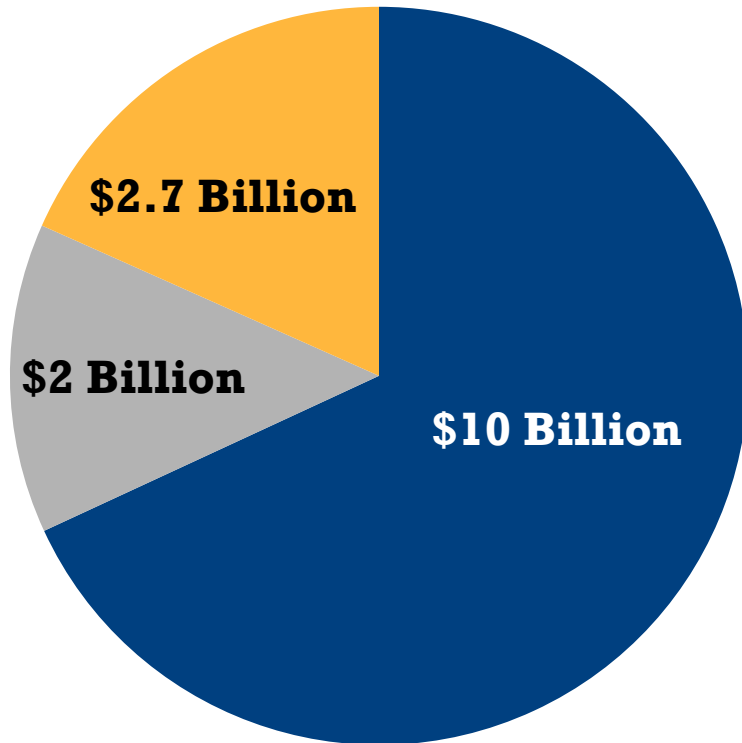


+ Settlement Overview

- Volkswagen agreed to spend up to \$14.7 billion to settle allegations of cheating emissions. Settlement funds will be used to buyback and/or modify vehicles, and to support national- and state-level projects to reduce NOx emissions.



Settlement Breakdown



- Vehicle buyback and modification (consumers)
- Zero Emission Vehicle investment (national and CA)
- Environmental Mitigation Trust (states)

+ ZEV Investment

- VW will spend \$2 billion over 10 years on actions that will support increased use of zero emission vehicle (ZEV) technology in the U.S.
 - \$1.2 billion will be used in areas of the U.S. other than California
 - \$800 million will be used in California
- VW will develop a National ZEV Investment Plan and a California ZEV Investment Plan for the first investment period (30 months), and will solicit input on each plan from States, Municipalities, and other entities
- The National Investment Plan will be approved and administered by EPA; the California Investment Plan will be approved and administered by CARB
- ZEVs refer to battery electric vehicles, plug-in hybrid electric vehicles, and fuel cell vehicles



+ ZEV Investment:

National ZEV Investment Plan

- VW will develop a National ZEV Investment Plan that describes the proposed National ZEV Investments that will be implemented over the first 30 months. Eligible expenses include:
 - Design/planning, construction/installation, and operation and maintenance of ZEV infrastructure
 - Programs or actions to increase public exposure or access to ZEVs
 - Brand-neutral media activities that will provide education and raise awareness on ZEVs
 - VW will spend between \$25 million and \$50 million on branding activities during each 30 month investment cycle

+ ZEV Investment: National ZEV Outreach Plan

- Prior to the development of the National ZEV Investment Plan, VW will submit to EPA a plan that addresses how they will solicit input from interested states, municipal governments, and others relevant to the development of each 30-month phase of the National ZEV Investment Plan.
 - **Opportunity:** SEOs will be able to weigh-in on the location and specifications for ZEV infrastructure, as well as proposed education, outreach, and awareness activities during this time



+ Environmental Mitigation Trust

- \$2.7 billion will be placed in an Environmental Mitigation Trust, and will be allocated to beneficiaries (states, tribes, and certain territories) based on the number of impacted VW vehicles in their jurisdictions
- The Trust will support projects that reduce NOx emissions where the VW vehicles were, are, or will be operated

Eligible Beneficiary	Initial Allocations	Eligible Beneficiary	Initial Allocations	Eligible Beneficiary	Initial Allocations
Puerto Rico	\$ 7,500,000	Louisiana	\$ 18,009,993	Colorado	\$ 61,307,576
North Dakota	\$ 7,500,000	Kentucky	\$ 19,048,080	Wisconsin	\$ 63,554,019
Hawaii	\$ 7,500,000	Oklahoma	\$ 19,086,528	New Jersey	\$ 65,328,105
South Dakota	\$ 7,500,000	Iowa	\$ 20,179,540	Oregon	\$ 68,239,143
Alaska	\$ 7,500,000	Maine	\$ 20,256,436	Massachusetts	\$ 69,074,007
Wyoming	\$ 7,500,000	Nevada	\$ 22,255,715	Maryland	\$ 71,045,824
District of Columbia	\$ 7,500,000	Alabama	\$ 24,084,726	Ohio	\$ 71,419,316
Delaware	\$ 9,051,682	New Hampshire	\$ 29,544,297	North Carolina	\$ 87,177,373
Mississippi	\$ 9,249,413	South Carolina	\$ 21,636,950	Virginia	\$ 87,589,313
West Virginia	\$ 11,506,842	Utah	\$ 32,356,471	Illinois	\$ 97,701,053
Nebraska	\$ 11,528,812	Indiana	\$ 38,920,039	Washington	\$ 103,957,041
Montana	\$ 11,600,215	Missouri	\$ 39,084,815	Pennsylvania	\$ 110,740,310
Rhode Island	\$ 13,495,136	Tennessee	\$ 42,407,793	New York	\$ 117,402,744
Arkansas	\$ 13,951,016	Minnesota	\$ 43,638,119	Florida	\$ 152,379,150
Kansas	\$ 14,791,372	Connecticut	\$ 51,635,237	Texas	\$ 191,941,816
Idaho	\$ 16,246,892	Arizona	\$ 53,013,861	California	\$ 381,280,175
New Mexico	\$ 16,900,502	Georgia	\$ 58,105,433	Tribal Subaccount	\$ 49,652,857
Vermont	\$ 17,801,277	Michigan	\$ 60,329,906	Trust Cost Subaccount	\$ 27,000,000
				Tribal Cost Subaccount	\$ 993,057
				Total	\$ 2,700,000,000

+ Environmental Mitigation Trust: Beneficiaries and Lead Agency

- To become a beneficiary, each eligible beneficiary must file a single Certification Form no later than 60 days after the Trust Effective Date
 - Each form must include a designation of Lead Agency, certified by the Office of the Governor, indicating which agency, department, office or division will have the delegated authority to act on behalf of each state
 - **Opportunity:** SEOs have an opportunity to work with the Lead Agency or act as Lead Agency in their state



+ Environmental Mitigation Trust: Beneficiary Mitigation Plan

- After being designated a beneficiary, states must submit a high-level Beneficiary Mitigation Plan that summarizes how the funds will be spent. Plans should address:
 - Overall goal for the use of the funds;
 - Categories of anticipated eligible mitigation actions, and preliminary assessment of the percentages of funds anticipated to be used for each type of action;
 - How the proposed actions will impact air quality in areas that bear a disproportionate share of the air pollution burden within its jurisdiction;
 - Expected ranged of emissions benefits.
- Beneficiaries may adjust their goals and spending plans at their discretion and will provide the Trustee with updates to their Beneficiary Mitigation Plan
- Beneficiaries may use their Final Approved DERA Workplan if they intend to avail themselves of the DERA option

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Large Trucks

- 1992-2006 model year Class 8 Local Freight or Drayage
- Eligible Large Trucks must be scrapped, and may be Repowered or replaced with any new diesel, alternative fueled, or all-electric engine

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Eligible Large Trucks	Non-Government Owned Eligible Large Trucks
Repower with new diesel or AFV engine	100%	40%
Purchase new diesel or AFV vehicle	100%	25% (50% for drayage trucks)
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric vehicle, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Buses

- 2006 model year or older Class 4-8 school buses, shuttle buses, or transit buses
- Eligible buses must be scrapped, and may be Repowered or replaced with any new diesel, alternative fueled, or all-electric engine

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Eligible Buses, or Buses Under Contract with Public School District	Non-Government Owned Eligible Buses
Repower with new diesel or AFV engine	100%	40%
Purchase new diesel or AFV vehicle	100%	25%
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric vehicle, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Freight Switchers

- Pre-Tier 4 switcher locomotives that operate 1000 or more hours per year
- Eligible Freight Switchers must be scrapped, and may be Repowered or replaced with any new diesel, alternative fueled, or all-electric engine or Freight Switcher that is certified to meet applicable EPA emissions standards

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Freight Switchers	Non-Government Owned Freight Switchers
Repower with new diesel, AFV engine, or Generator Sets	100%	40%
Purchase new diesel or AFV Freight Switcher	100%	25%
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric Freight Switcher, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Ferries/Tugs

- Unregulated, Tier 1 or Tier 2 marine engines
- Eligible ferries and tugs must be scrapped, and may be Repowered with any new Tier 3 or Tier 4 diesel, alternative fueled, or all-electric engines or may be upgraded with an EPA Certified Remanufacture System or an EPA Verified Engine Upgrade

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Ferries and Tugs	Non-Government Owned Ferries and Tugs
Repower with new diesel, AFV engine	100%	40%
Repower with all-electric engine, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

- Eligible Ocean Going Vessels (OGV) Shorepower
 - Systems that enable a compatible vessel's engines to remain off while the vessel is at berth. Components eligible for reimbursement include cables, cable management systems, shore power coupler systems, distribution control systems, and power distribution components
 - Eligible OGVs may be Repowered with any new Tier 3 or Tier 4 diesel, alternative fueled, or all-electric engines or may be upgraded with an EPA Certified Remanufacture System or an EPA Verified Engine Upgrade

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Marine Shorepower	Non-Government Owned Marine Shorepower
Costs associated with shore-side system	100%	25%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Medium Trucks

- 1992-2006 model year Class 4-7 Local Freight Trucks
- Eligible medium trucks must be scrapped, and may be Repowered or replaced with any new diesel, alternative fueled, or all-electric engine

	Percentage of Project That Can Be Funded Through Trust	
	Government-Owned Medium Trucks	Non-Government Owned Medium Trucks
Repower with new diesel or AFV engine	100%	40%
Purchase new diesel or AFV vehicle	100%	25%
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric vehicle, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Airport Ground Support Equipment

- Tier 0, Tier 1, or Tier 2 diesel powered airport ground support equipment, and uncertified or certified to 3 g/bhp-hr or higher emissions, spark ignition engine powered airport ground support equipment
- Eligible airport ground support equipment must be scrapped, and may be Repowered with an all-electric engine, or replaced with the same equipment in an all-electric form

	Percentage of Project That Can Be Funded Through Trust	
	Government Owned Eligible Airport Ground Support Equipment	Non-Government Owned Eligible Airport Ground Support Equipment
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric equipment, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Eligible Forklifts

- Forklifts with greater than 8,000 pounds lift capacity
- Eligible forklifts must be scrapped, and may be Repowered with an all-electric engine, or replaced with the same equipment in an all-electric form

	Percentage of Project That Can Be Funded Through Trust	
	Government Owned Forklift	Non-Government Owned Forklift
Repower with all-electric engine, including infrastructure	100%	75%
Purchase new all-electric equipment, including infrastructure	100%	75%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

■ Light Duty Zero Emission Vehicle Supply Equipment

- May use of to 15% of its allocation of Trust Funds on the costs to acquire, install, operate and maintain new light duty ZEV supply equipment. Eligible projects include:

- Level 1, Level 2 or DC fast chargers located in a public place, workplace, or multi-unit dwelling
- Hydrogen fuel cell supply equipment, including hydrogen dispensing equipment that is located in a public place

	Percentage of Project That Can Be Funded Through Trust
EVSE - publicly available at government owned property	100%
EVSE - publicly available at non-government owned property	80%
EVSE - at workplace but not available to general public	60%
EVSE - at multi-unit dwelling but not available to general public	60%
FCVSE - publicly available and able to dispense at least 250kg/day	33%
FCVSE - publicly available and able to dispense at least 100kg/day	25%

+ Environmental Mitigation Trust: Eligible Mitigation Actions

- Diesel Emission Reduction Act (DERA) Option
 - May use Trust Funds for their non-federal match or overmatch for DERA
 - Allows beneficiaries to use Trust Funds for actions not specified in the settlement, but otherwise eligible under DERA



+ Environmental Mitigation Trust: Accessing and Spending Allocations

- Beneficiaries have up to 10 years to spend 80% of their allocation, and up to 15 years to spend 100% of their allocation
 - Beneficiaries may request up to one-third of its allocation during the first year, and up to two-thirds of its allocation during the first two years
- Beneficiaries can submit requests for Eligible Mitigation Action funding at any time (Appendix D, Sec. 5.2 for additional details)
 - Funding must be approved, approved with modification, or denied within 60 days
- Beneficiaries may use its DERA proposal as its funding requests for Actions that are funded through the DERA option
- Two or more beneficiaries may submit a joint request for Eligible Mitigation Action funds
- Beneficiaries must submit a semiannual report

+ Next Steps and Opportunities for SEOs



- Comment period for Proposed Consent Decree
 - **Opportunity: SEOs may submit comments on the Proposed Consent Decree through August 5, 2016**
- Once settlement is finalized:
 - States will submit certification form designating Lead Agency
 - **Opportunity: SEOs may work with the Lead Agency or act as Lead Agency for their state. Conversations with Governors should begin ASAP.**
 - States will begin to develop Beneficiary Mitigation Plans
 - VW will develop a National ZEV Investment plan
 - **Opportunity: SEOs will be able to provide input on what should be included in a National ZEV Investment plan, including locations and specifications for chargers.**

+ Discussion Questions

- Are there specific changes SEOs would like to see made to the proposed consent decree? (e.g., greater flexibility with the Eligible Mitigation Actions)
- Would it be helpful for NASEO to coordinate messaging among SEOs during the comment period?
- Would it be helpful for NASEO to submit comments, emphasizing the need for the consent decree to consider comments submitted by the SEOs?
- Would it be helpful for NASEO to develop a model Beneficiary Mitigation Plan template that states could use when developing their plans?

+ Contact Information



Thank You

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