

Implementing the Volkswagen 2.0 and 3.0 Liter Vehicle Settlement



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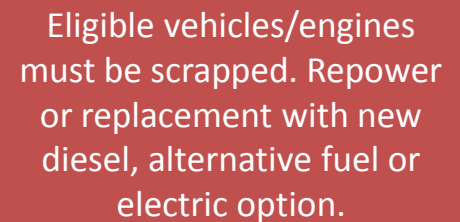
May 2017

Volkswagen (VW) Settlement: Overview

- U.S. EPA and California Air Resource Board (CARB) filed a complaint against VW 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.
- On October 25, 2016, a \$14.7 billion settlement covering 2.0L engines—475,000 U.S. vehicles was finalized:
 - Vehicle buyback or emissions modification (\$10B) (Consumers)
 - Zero emission vehicle (ZEV) infrastructure investment program (\$2B) (National and California)
 - Environmental Mitigation Trust (EMT) (\$2.7B) (states, D.C., Puerto Rico, and federally recognized tribes)
- On December 20, 2016, a \$1.0 billion settlement covering 3.0L engines—85,000 U.S. vehicles was lodged with the court:
 - Vehicle buyback or emissions modification (\$7.75M)
 - \$225 million to EMT

VW Settlement: Environmental Mitigation Trust

- Trust funds will support projects that reduce NOx emissions where the VW vehicles were, are, or will be operated. **Eligible mitigation projects include:**
 - Class 8 Local Freight Trucks and Port Drayage Trucks
 - Class 4-7 local freight trucks
 - Class 4-8 school, shuttle, and transit buses
 - Locomotive freight switchers
 - Ferries/tugs
 - Forklifts and port cargo handling equipment
 - Airport ground support equipment
 - Shorepower for Ocean Going Vessels
 - Light Duty zero emissions vehicle supply equipment (electric charging stations or hydrogen fueling)
 - State Diesel Emission Reduction Act (DERA) Option (actions not specified in the settlement, but otherwise eligible under DERA)



Eligible vehicles/engines must be scrapped. Repower or replacement with new diesel, alternative fuel or electric option.

VW Settlement:

Allocation of Environmental Mitigation Trust Funds

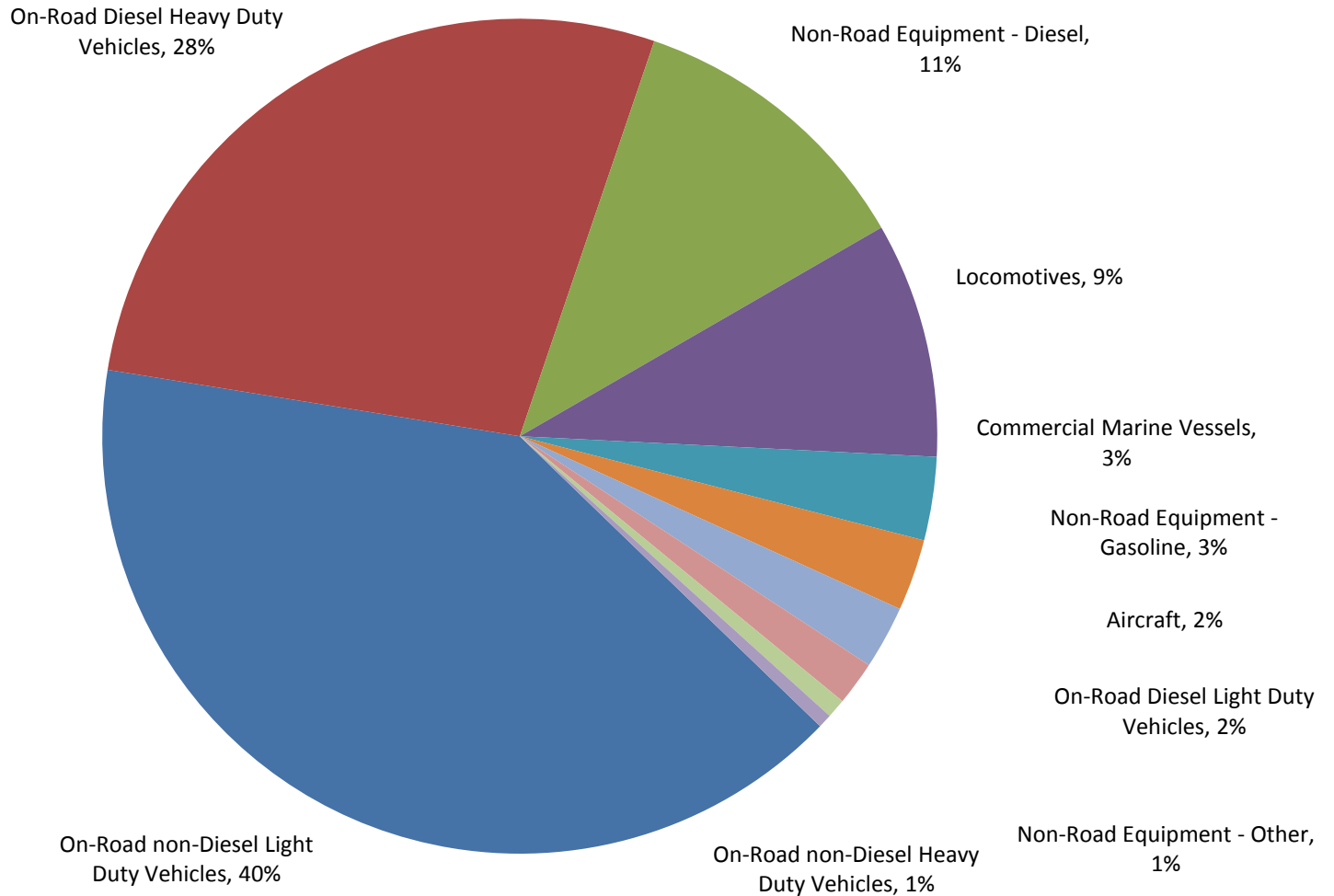
- Allocation of EMT funds to eligible beneficiaries (states, D.C., Puerto Rico, and federally recognized tribes) based on the number of offending VW vehicles in their jurisdictions:
 - ~ 16,200 offending 2.0 and 3.0 VW vehicles in Virginia
 - Virginia's initial allocation is ~\$93.6 million
 - Virginia DEQ will administer these funds through a state mitigation plan
 - Trust funds may be available fall or winter of 2017

VW Settlement:

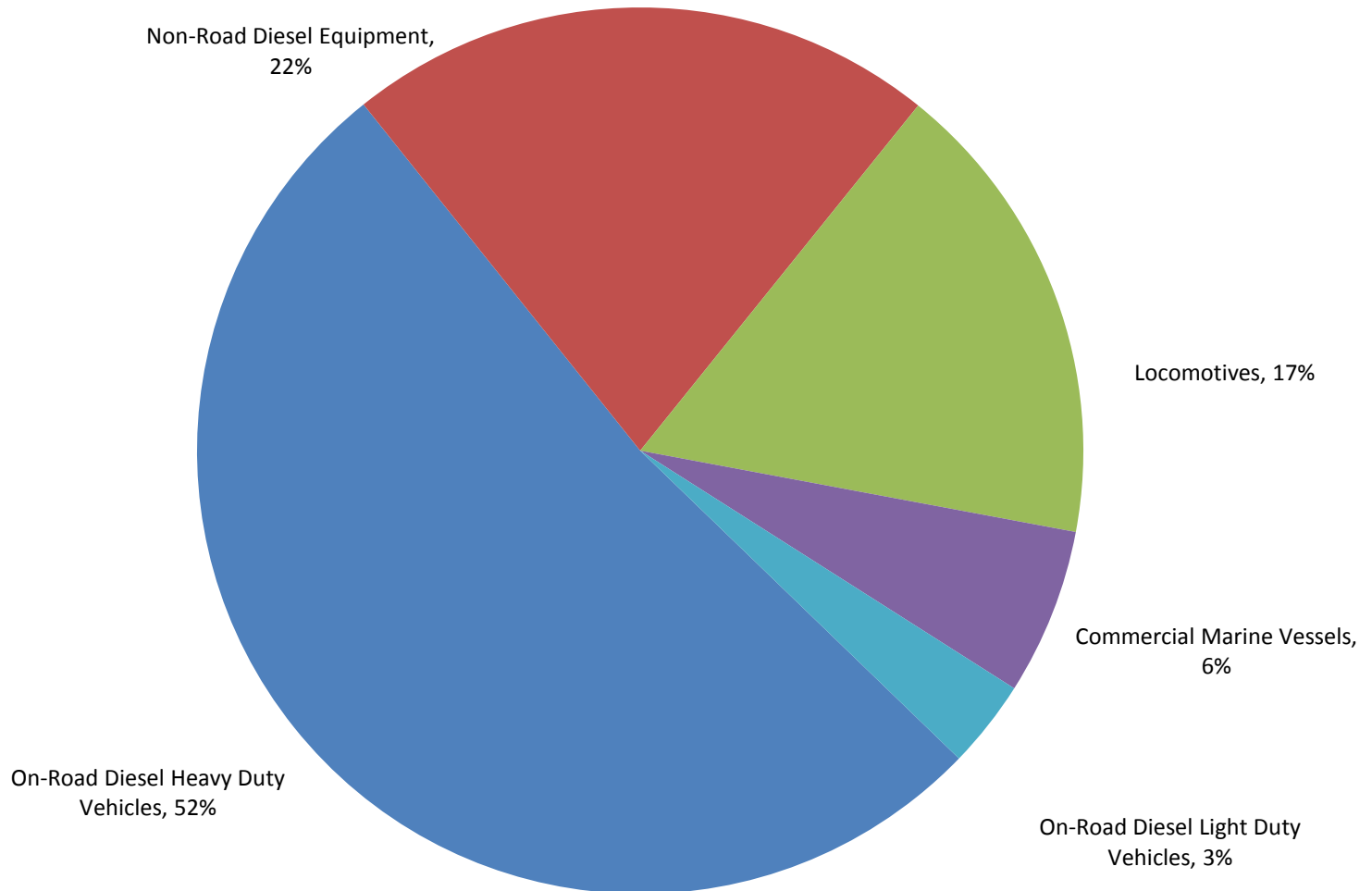
Strategy for Developing Virginia's Mitigation Plan

- *Transparent – collaborative –inclusive - multi-purpose – objective*
 - Launching a DEQ VW public information webpage
 - Forming state agency VW working group
 - Talking with interested stakeholders (e.g., federal agencies, state agencies, NGOs, and private entities)
 - Develop a board-based plan vs. restrictive:
 - Includes all 10 eligible mitigation actions/projects
 - Multi-purpose plan:
 - Solicit public comments on the overall plan approach and potential projects
 - Meet plan requirements delineated under Appendix D of the VW settlement
 - Data-driven approach:

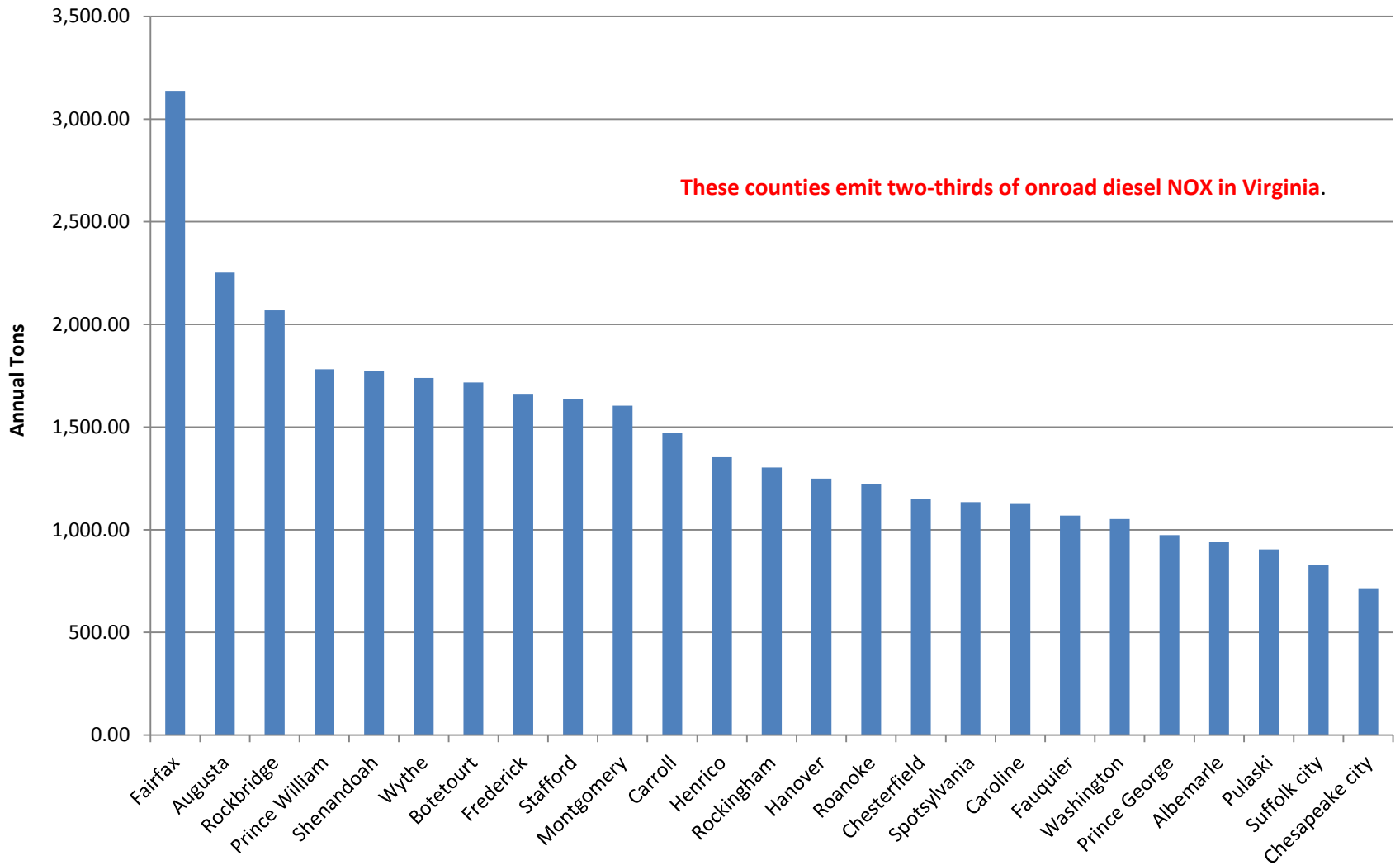
EPA Mobile NO_x for Virginia (2014NEIv1)



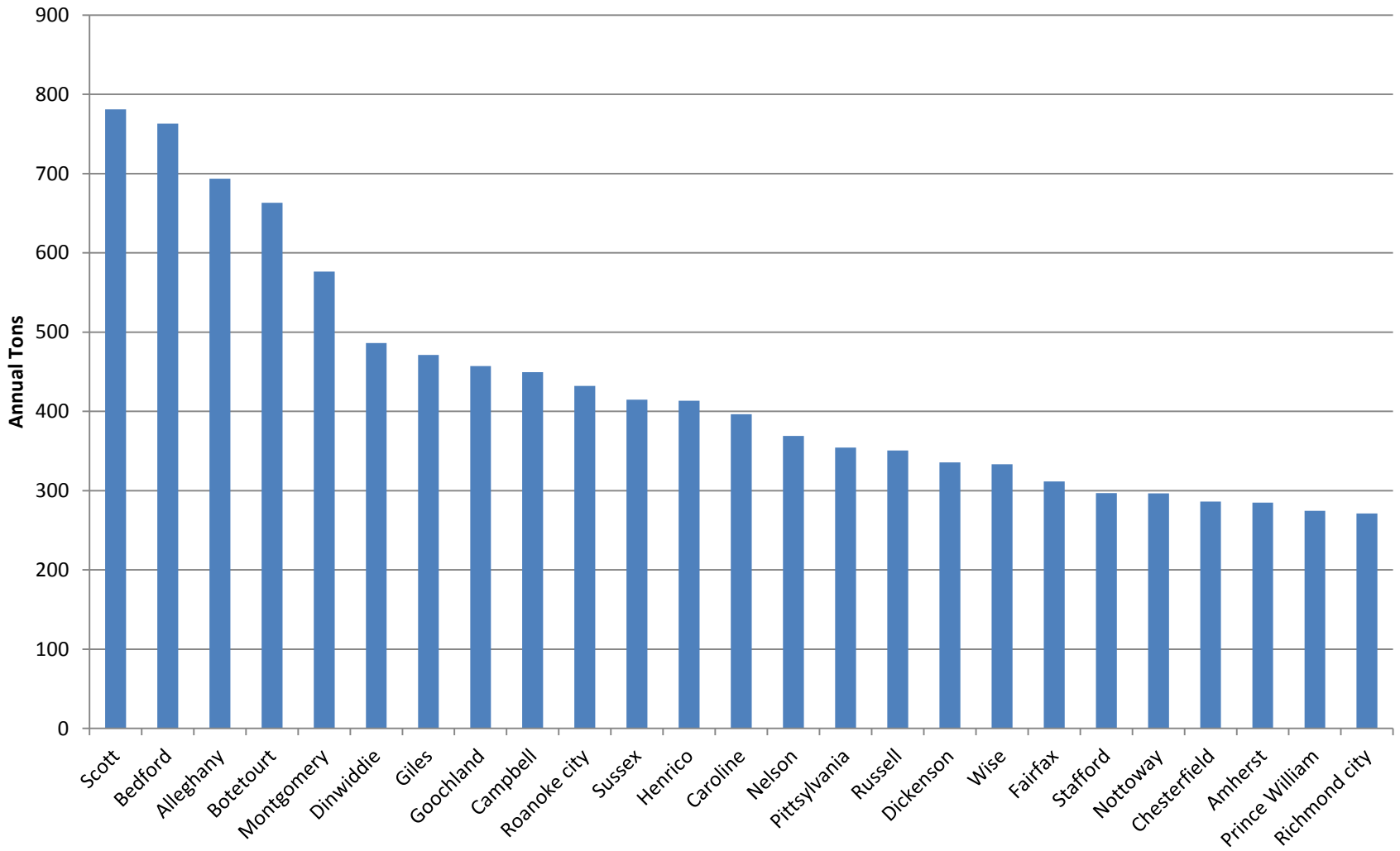
Virginia Diesel NOx (2014NEIv1)



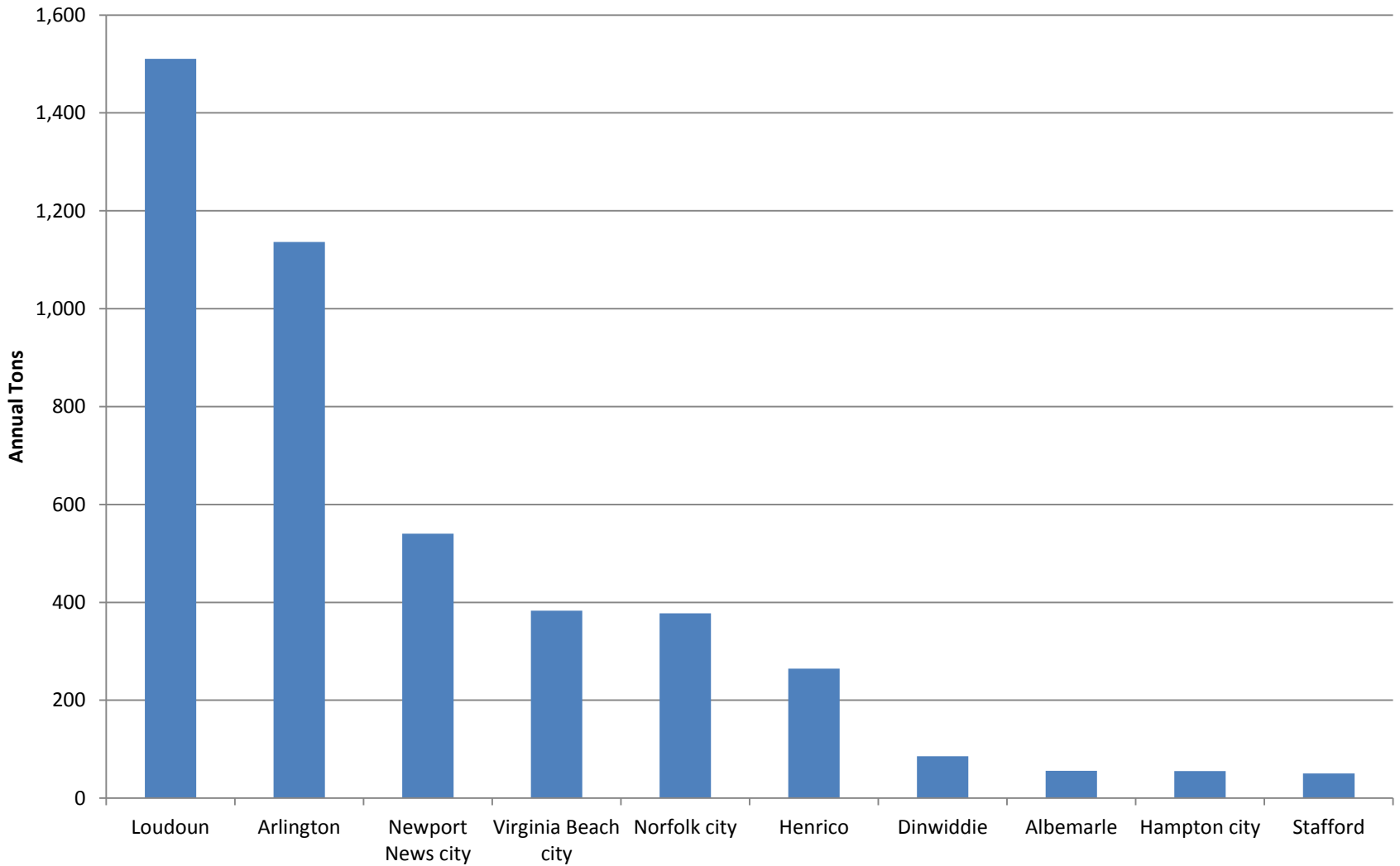
Virginia Top 25 Highway Diesel NOx Emissions by Location (2014NEIv1)



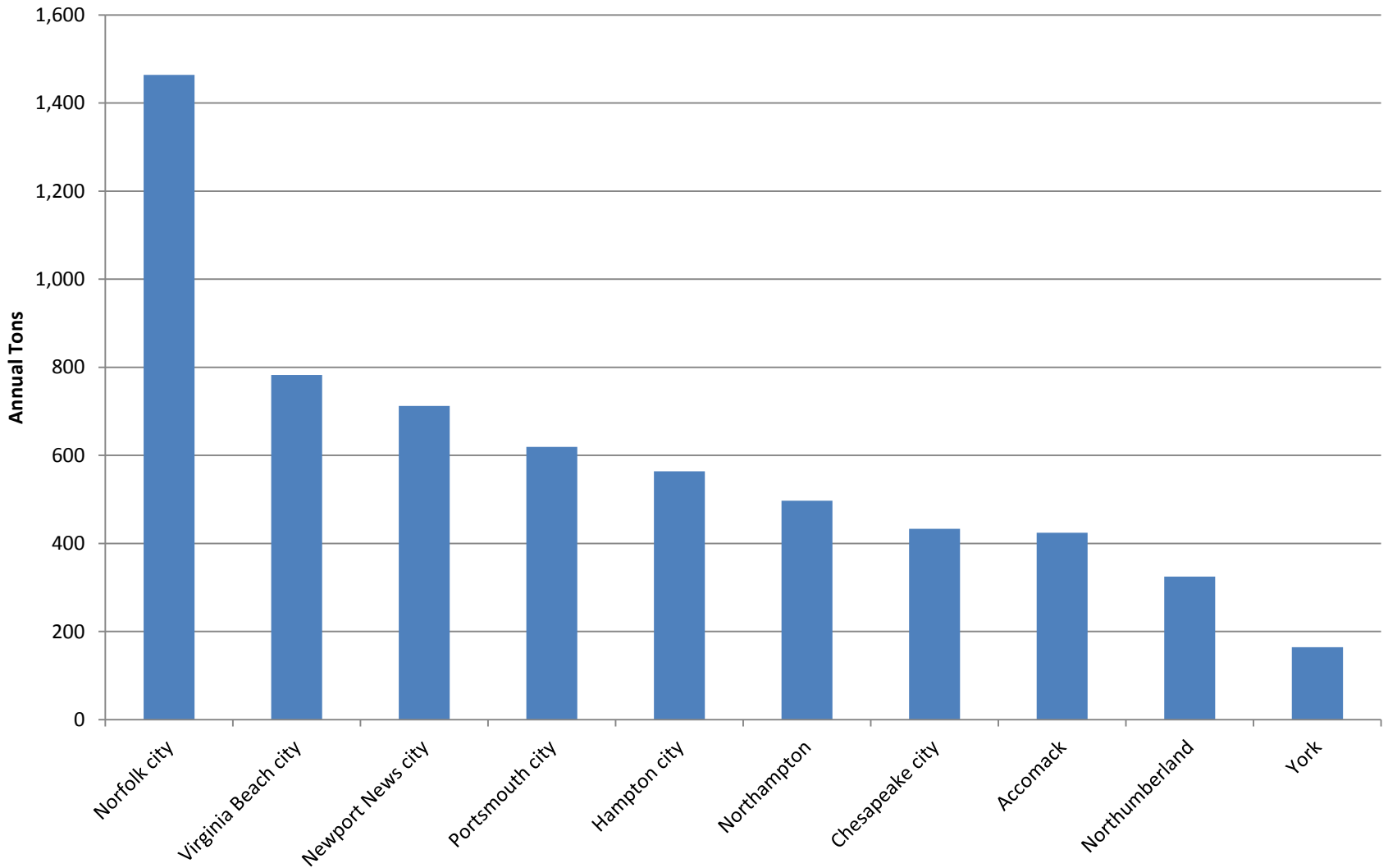
Virginia Top 25 Locations for Locomotive NOx (2014NEIv1)



Virginia Top 10 Locations for Aircraft NOx (2014NEIv1)



Virginia Top 10 Locations for Commercial Marine NOx (2014NEIv1)



VW Settlement: Virginia's Proposed Mitigation Plan

- **Proposed state mitigation plan outlines:**
 - **Primary goal - improve and protect ambient air quality by implementing eligible mitigation projects that will:**
 - Achieve significant and sustained reductions in diesel emissions in terms of tons of reductions in diesel emission exposures in areas designated as poor air quality areas, areas with historical air quality issues, and areas that receive a disproportionate quantity of air pollution from diesel fleets, and
 - Expedite deployment and widespread adoption of zero emission and near-zero emission vehicles and engines
 - **Project funding priorities such as:**
 - Projects with the greatest projected emission reductions
 - Cost effectiveness of the projected emission reductions

VW Settlement:

Virginia's Proposed Mitigation Plan (Cont.)

- **Categories of eligible mitigation projects anticipated to be appropriate to achieve the stated goals and assessment of the allocation of funds anticipated to be used for each type of eligible mitigation project**
 - Proposed plan includes all 10 eligible mitigation project type listed on slide 3
 - Plan proposes to use up to 15% of the Trust funds for the deployment of zero emission vehicle supply equipment
- **The anticipated ranges of emission benefits that would be realized by implementation of the eligible mitigation projects identified in the mitigation plan**
 - Based on current EPA exhaust emission standards for NOx
- **Conducted public comment period (Nov 17 – Dec 16, 2016) and public meeting on Dec 7, 2016**
 - 101 comments received
 - Proposed mitigation plan and summary of comments found at:
<http://deq.state.va.us/Programs/Air/VWMitigation.aspx>
 - *Virginia is still accepting comments on proposed mitigation plan.* Send comments to:
vwmitigation@deg.virginia.gov

VW Settlement:

Virginia's Request for Information (RFI)

- DEQ released a RFI on April 4, 2017 seeking:
 - Early input on the type and scope of projects that may later be submitted to compete for VW EMT funds
 - Funding and project evaluation priorities, and
 - Methods DEQ could employ to increase participation in future requests for VW mitigation projects
- Responses to the RFI are considered non-binding and will be used solely for planning purposes, such as modifications to the proposed state mitigation plan and development of requirements upon which a solicitation for projects may be based
- RFI is publicly posted on DEQ website at:
www.deq.virginia.gov/programs/air/vwmitigation.aspx
- RFI responses are due on May 18, 2017

VW Settlement: Other Activities/Next Steps

- Coordinating with AG's office on preparing beneficiary certifications
- Ongoing stakeholder engagement and outreach
- Review and consider responses to RFI
- Update and finalize SMP
- Program and solicitation planning

VW Settlement: Questions?