

VW Diesel Settlement Oregon's Proposal for the Mitigation Fund

Oregon Proposes Elements for Use of the Mitigation Funds

Background

From 2009 through 2015, Volkswagen sold diesel passenger cars in the United States with emission control defeat devices that violated federal motor vehicle emission standards. Volkswagen has agreed to a settlement of claims brought by the U.S. Department of Justice, the Environmental Protection Agency, the Federal Trade Commission, the California Air Resources Board and class action attorneys acting on behalf of owners of subject vehicles. The emission control defeat devices used by VW allowed up to 40 percent higher nitrogen oxide emissions during normal driving

Environmental Mitigation Fund

One part of the settlement requires Volkswagen to pay \$2.9 billion to a trust fund to be distributed to states, tribes, the District of Columbia and Puerto Rico. The initial allocation to the state of Oregon — based on registration share of VW diesels by state — is approximately \$72.9 million. The funds are to be used over a ten year period to support a defined list of projects intended to offset (i.e. mitigate) the excess air pollution created by VW's cars.

The Environmental Mitigation Fund is overseen by a court appointed trustee. Eligible mitigation projects to reduce diesel pollution include:

- Scrap and replace old diesel vehicles or engines in medium and heavy-duty trucks, transit buses, school buses and switcher locomotives;
- Scrap and replace old diesel engines in tugboats/ferries, airport ground support equipment and cargo handling equipment;
- Provide shore power for ocean-going vessels while at dock;
- Provide publicly available light duty vehicle electric charging or hydrogen fueling infrastructure.

States can also decide to use funds (the DERA Option) for a more expansive list of diesel emission reduction projects allowable under EPA grant guidelines including exhaust retrofitting, nonroad vehicle replacement and truck stop electrification.

The court has selected a trustee, but a trust effective date has not yet been established that triggers next steps for states. Ultimately each participating state is required to submit a broad outline for a mitigation plan no later than 210 days of the trust effective date.

Oregon's Proposed Mitigation Fund Plan

DEQ is proposing elements for Oregon's mitigation plan that place a priority on reducing emissions from legacy diesel engines. The Oregon plan would have three main goals:

- Maximize benefits for vulnerable populations;
- Prioritize pollution reduction in areas of the state with the highest emissions of nitrogen oxides and particulate matter from diesel engines; and
- Maximize pollution reduction cost effectiveness.

Project Selection

DEQ proposes to reserve approximately \$18 million to replace older diesel school buses as one step to meet the goal of reducing risk to vulnerable populations, specifically children. DEQ would use a competitive approach to allocate the remaining funds.

The intention is to use the money in a focused way to facilitate the replacement of older diesels with newer, lower emitting vehicles, utilizing the latest clean diesel, natural gas, propane, electricity and other available low emission fuel/engine technologies. DEQ would use project selection criteria to meet plan goals and maximize emission reductions resulting in improved public health.

DEQ recognizes there are a wide range of projects with identifiable environmental benefit, but the limited funding available requires a formal selection process to determine the most cost-effective and health protective projects. DEQ is proposing selection criteria that direct funding to projects that best meet program goals (i.e. replace high priority legacy vehicles, maximize cost effective emission reduction, and benefit vulnerable populations).

DEQ's proposed selection criteria would give preference to projects with the following characteristics:



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- Replace older legacy diesel vehicles (i.e. highway vehicles with pre-2007 engines and pre-Tier 4 non-road engines);
- Operate in areas identified by demographic and health factors as a priority for reducing impacts to disproportionately impacted populations, e.g., elderly, young, low income, minority, evidence of morbidity and other health effects associated with diesel exhaust exposure.
- Operate in counties with high levels of diesel NOx and diesel particulate emissions.
- Maximize cost effectiveness of emission reductions occurring in Oregon.
- Reflect engagement with a local community in the design and performance of the project and showing tangible support from project partners.
- Replace old vehicles with functionally equivalent vehicles demonstrating a minimum of three years of remaining useful life.
- Utilize low carbon fuels.
- Involve small fleets, e.g., 10 vehicles or less.
- Is part of a broad-based air quality program documented to identify and address air quality concerns, including ability to promote and continue efforts beyond this project's end.

The proposed mitigation plan is available for review at

<http://www.oregon.gov/deq/air/programs/Pages/VW-Diesel-Settlement.aspx>.

For more information please contact:

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Alternative formats

Documents can be provided upon request in an alternate format for individuals with disabilities or in a language other than English for people with limited English skills. To request a document in another format or language, call DEQ in Portland at 503-229-5696, or toll-free in Oregon at 1-800-452-4011, ext. 5696; or email deqinfo@deq.state.or.us.