

NGVAMERICA

Natural Gas Vehicles for America

Volkswagen Settlement State Update

Texas Clean Air Working Group

January 17, 2018



Overview of the VW Settlement



NOVAMERICA

Volkswagen Settlement

ISSUE: Volkswagen sold non-compliant diesel fueled vehicles including 2.0 and 3.0 liter models which emitted significantly more NOx emissions into the air when operating than they did during EPA testing

- On **October 25, 2016** the federal court handling the multi-district litigation approved the 2.0 L partial settlement and consent decrees
- The 2.0 liter Partial Settlement and Consent Decrees include the following key components:
 - \$10 billion for Volkswagen owners – buyback, fix and compensation package
 - **\$2.9 billion Environmental Mitigation Trust (\$2.7 billion - on May 17, 2017 court issued decision providing additional \$225 million for 3.0 L)**
 - \$2.0 billion Zero Emission Vehicle investment Commitment
 - \$600 million state attorney general claims

\$2.9 Billion Volkswagen Environmental Mitigation Trust

Funding must be used to:

- Address excess nitrogen oxide (NOx) emissions through vehicle purchases/repowers
- Benefit residents in areas with greatest need (e.g., non-attainment areas, near urban/industrial areas)
- Replace polluting diesel equipment with cleaner, new or repowered vehicles, including:
 - Local freight trucks
 - Transit buses
 - School buses
 - Shuttle buses
 - Refuse trucks

State Requirements

- **State Notifies Trustee of Acceptance & Responsible Entity by Dec 2 2017**

Beneficiaries must give notification/certification to the Trustee within 60 days of the Trust's Effective Date (Oct 3 2017)

- **State Mitigation Plans**

States must develop high level Mitigation Plan indicating how funds will be spent drawing from the eligible mitigation actions outlined in the Consent Decree

- Plans must quantify NOx reductions and must address impact on areas disproportionately impacted by pollution
- Plans must identify the types of projects or eligible actions that will be funded
- States must use a public process to develop plans
- Plan length is 10 years, but a state may request up to 1/3 of its allocation the first year funds are available and an additional 1/3 each of the next 2 years if desired

Eligible Projects

Vehicle Type	Classification	Eligibility of Existing Vehicles	Eligibility of New Vehicles
Large Trucks		1992 – 2009 (extends to 2012 if the state already has relevant regulations)	New vehicle or repowered engine must be the MY in which the action takes place or one engine MY prior
Buses	Class 4-8 School Bus, Shuttle Bus, or Transit Bus		
Medium Trucks	Class 4-7 Local Freight Trucks		
Freight Switchers	N/A	Pre-Tier 4 switcher locomotives that operate 1000 or more hours per year	Must meet EPA emissions standards for the MY in which the action takes place
Ferries / Tugs	Class 8 Local Freight Trucks and Port Drayage Trucks	Unregulated, Tier 1, or Tier 2 marine engines	Tier 3 or Tier 4 marine engines, or upgraded with an EPA-certified Remanufacture System or EPA-Verified Engine Upgrade
Ocean Going Vessels Shorepower	Systems that enable a vessel's main and auxiliary engines to remain off at berth	N/A	Systems must comply with international shore power design standards and should be supplied with power from the local utility grid
Airport Ground Support Equipment	N/A	Tier 0, Tier 1, or Tier 2 diesel equipment, uncertified, or certified to 3 g/bhp-hr or higher emissions, spark ignition engine equipment	Must be all-electric
Forklifts and Port Cargo Handling Equipment	N/A	Greater than 8,000 pounds lift capacity	Must be all-electric
Light-Duty ZEV Supply Equipment	Each Beneficiary may use up to 15% of its allocation on the costs necessary for the acquisition, installation, operation and maintenance of new light-duty ZEV supply equipment. This includes Level 1, Level 2, and DC Fast Charging equipment as well as hydrogen fuel cell supply equipment.		
DERA Option	Each Beneficiary may use EMT funds for their non-federal voluntary match as well as "over-match" funds. EMT funds cannot be used to meet the mandatory cost-share requirement of any DERA grant.		

Source: GNA (Gladstein, Neandross & Assoc.

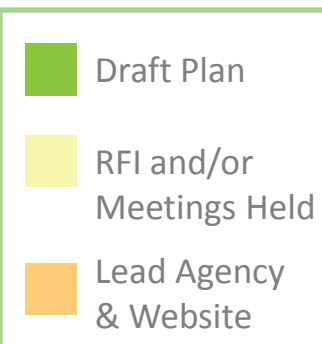
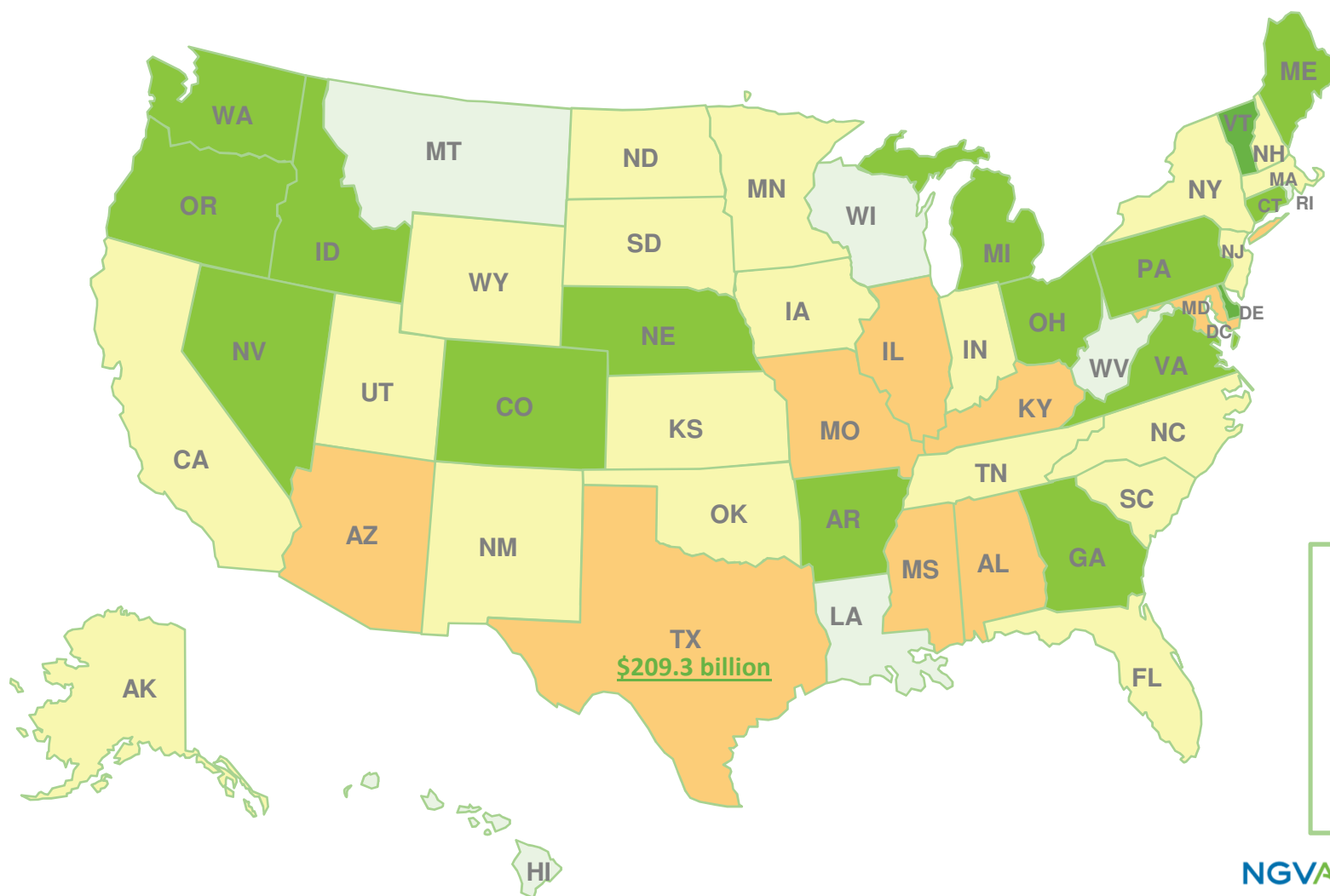
Updated VW Settlement Timeline

Environmental Mitigation Trust Fund Milestones	Timeline	Explanation
Effective Date of Settlement and Consent Decree	25-Oct-16	Court approved the settlement on 10/25/16
Initial \$900 million contribution by VW for Trust	24-Nov-16	within 30 days of Settlement Effective Date - this contemplates a trust up and running in short time or for deposit with court
Approval of Trustee by court	15-Mar-17	Officially approved by court on 3.15.17
Trust Agreement Effective Date	2-Oct-17	Assumes at least 30 days to make changes, get signatures, court approval
States file certification for Beneficiary status with Trustee	1-Dec-17	Within 60 days of Trust Effective Date
Trustee files Beneficiary Designation list with court	30-Jan-18	Within 120 days of Trust Effective Date
Beneficiaries file Mitigation Plans with Trustee	30-Jan-18	Any time they want but at least 30 days before requesting funds
Beneficiaries request funds	1-Mar-18	30 days after of filing mitigation plan
Trustee responds to funding requests	31-Mar-18	Within 30 days after funding request submitted
2nd \$900 million contribution by VW	24-Nov-17	On one year anniversary of initial payment
3rd \$900 million contribution by VW	24-Nov-18	on two year anniversary of initial payment
Deadline for spending 80% of allocated funds	16-Jan-27	10th anniversary of the Trust Effective Date
Deadline for spending remaining allocated funds	16-Jan-32	15th anniversary of the Trust Effective Date

VW Settlement Funds by State \$2.925 Billion

Initial Subaccounts	Combined Totals	Initial Subaccounts	Combined Totals	Initial Subaccounts	Combined Totals
Alaska	\$8,125,000.00	Kentucky	\$20,378,649.58	Wisconsin	\$67,077,457.70
Hawaii	\$8,125,000.00	Oklahoma	\$20,922,485.12	New Jersey	\$72,215,085.39
North Dakota	\$8,125,000.00	Iowa	\$21,201,737.70	Oregon	\$72,967,518.46
Puerto Rico	\$8,125,000.00	Maine	\$21,053,064.48	Massachusetts	\$75,064,424.40
South Dakota	\$8,125,000.00	South Carolina	\$33,895,491.39	Maryland	\$75,714,238.01
Wyoming	\$8,125,000.00	Nevada	\$24,874,024.48	Ohio	\$75,302,522.67
District of Columbia	\$8,125,000.00	Alabama	\$25,480,967.86	North Carolina	\$92,045,658.00
Delaware	\$9,676,682.97	New Hampshire	\$30,914,841.09	Virginia	\$93,633,980.48
Mississippi	\$9,874,413.91	Utah	\$35,177,506.14	Illinois	\$108,679,676.98
West Virginia	\$12,131,842.13	Indiana	\$40,935,880.59	Washington	\$112,745,650.15
Nebraska	\$12,248,347.48	Missouri	\$41,152,051.74	Pennsylvania	\$118,569,539.52
Montana	\$12,602,424.88	Tennessee	\$45,759,914.40	New York	\$127,701,806.94
Rhode Island	\$14,368,857.94	Minnesota	\$47,001,661.43	Florida	\$166,278,744.54
Arkansas	\$14,647,709.09	Connecticut	\$55,721,169.94	Texas	\$209,319,163.57
Kansas	\$15,662,238.80	Arizona	\$56,660,078.00	California	\$422,636,320.14
Idaho	\$17,349,037.39	Georgia	\$63,624,725.56	Tribal acct	\$54,447,921.22
New Mexico	\$17,982,660.90	Michigan	\$64,807,014.63	Tribal Admin Cost	\$1,088,958.42
Vermont	\$18,692,130.18	Colorado	\$68,739,918.33	Trust Admin Cost	\$29,250,000.00
Louisiana	\$19,848,805.30				

State VW EMT Plan Status (Jan 2018)



Current State Draft Plan Components

<u>Project Type</u>	AR \$14.6M	CO \$68.7M	CT \$55.7M	DE \$9.6M	GA \$63.6M	ID \$17.3M	ME \$21M	MI \$64.8M	NE \$12.2M	NV \$24.8M	OH \$75.3M	OR \$72.9M	PA \$118.5M	VT \$18.7M	VA \$93.6M	WA \$112.7M
On-Road	85%	52.50%			100% EV/D Transit	35%	25%		35%		45-50%	25% School Bus	20-40%	43%		≤ 45%
Non-Road						20%	40%				25-25%		35-55%	31% Includes DERA		≤ 5% Equip ≤ 5% RR ≤ 45% Mar
DERA		7.50%				15%	20%	4%	25%	5%			0-20%	11% (RR / Mar)		≤ 5%
Flex Funds		17.50%	85%	85%				72% DERA Type	25%	80%		75%			85%	
EV Light Duty Charging	15%	15%	15%	15%		15%	15%	14%	10%	15%	20-22% Includes Shore Pwr		15%	15%	15%	15%
Administration		7.50%				15%		10%	5%		6-8%		15%			

State VW Plan Trends

- Most states have high-level goal of funding the projects that reduce the most NOx for the funds spent
- Most states allow all approved alternative fuel vehicles
- Many states have not designated the percentages for vehicle funding
- States with larger amounts of funding tend to have more segments (on-road, transit, school bus, non-road) of funding in their plan, while states with smaller amounts use “Flex Funds” as a segment and will evaluate each project according to their goals
- Most states will at least match their normal DERA funding
- Several states say they will use the Diesel Emission Quantifier tool to calculate emissions but this is outdated – Argonne AFLEET tool was updated in 2017
- Most States have opted to fund the 15% EV Light Duty Charging Option
- About half of the states have said they will use a portion of the funding to administer the program – a few mention 3rd party administration

Best State Plan To Date – Colorado

Colorado Draft VW Beneficiary Mitigation Plan

- Comprehensive information collection – public and among governmental groups
- Concise, innovative plan to enable achievement of goals of VW Settlement
- Using proven organizations to facilitate the plan (CDPHE, RAQC, CDOT)
- Percentages for funding create a reasonable parity among alternative vehicles
- No diesel except for fleets of 9 or less trucks
- Draft Plan Goals:
 - Maximize the trust's air quality benefits in Colorado (reduce NOx, GHG, other pollutants)
 - Catalyze the adoption of zero emission and alternative fuel vehicles
 - Distribute funds quickly (within 5 years) - emphasis is on ready projects and will be "first come, first served"
 - Appropriately balance the cost of the project and emission reduction benefits
 - Focus on but not limited to areas of non-attainment, location of VWs and environmental justice communities

Best State Plan To Date – Colorado, cont.

- Funding Details (vehicles are OEM only and require scrappage)
 - **\$18M** Alt Fuel Trucks/School and Shuttle Buses
 - New diesel only allowed for fleets of 9 trucks or less
 - **Government and public entities funded at about 40% of total vehicle cost with caps**
 - **Private funded at about 25% of total vehicle cost with caps**
 - **\$18M** Alt Fuel/EV Class 4-8 Transit Buses
 - VW funding to be combined with existing funds
 - Applicant per bus portion to be less than \$100,000
 - **\$12.2M** Flex Funds to be used in response to market demand for eligible mitigation actions - to be spent after the initial allocations to other programs
 - **\$5M** DERA option
 - **\$10.3M** EV Chargers/infrastructure
 - **\$5.2M** Admin Costs (RAQC to manage Trucks/Buses using Alt Fuels CO Program; CDOT to manage Transit)

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