

VOLKSWAGEN SETTLEMENT

Southern Transportation & Air Quality Summit

August 20, 2019



What we will cover...

- Background – who - what - when - how?
- Components of the Settlement
 - Citizens
 - Electrify America
 - Beneficiary Mitigation Trust
- Kentucky's Draft Plan
- Snapshot of other states' programs

BACKGROUND

- CY2015 – US EPA enforcement action against Volkswagen (VW):
 - **September 2015:** Notice of Violation alleging model year 2009-2015 VW & Audi diesel vehicles equipped with 2.0 liter engines included software “defeat device” that evaded EPA emissions standards for nitrogen oxides (NOx).
 - **November 2015:** EPA issued a 2nd Notice of Violation alleging the same in certain diesel vehicles equipped with 3.0 liter engines for model years 2014-2016 – increased emissions of NOx up to nine times EPA’s Standard.
 - **October 2016, May 2017, April 2017:** The Court approves a settlement between the U.S. and VW. These settlements resolved the allegations that VW had violated the Clean Air Act (CAA) by the sale of approximately 590,000 model year 2009 to 2016 diesel motor vehicles equipped with “defeat devices.”

VW Settlement – Affected Vehicles



- **2.0 liter diesel vehicles & model years**

- Jetta (2009-2015)
- Jetta Sportwagen (2009-2014)
- Beetle (2012-2015)
- Beetle Convertible (2012-2015)
- Audi A3 (2010-2015)
- Golf (2010-2015)
- Golf Sportwagen (2015)
- Passat (2012-2015)

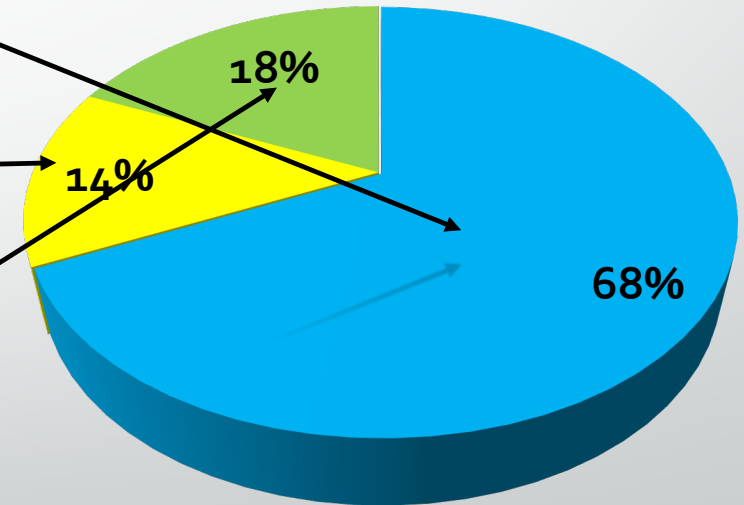


- **3.0 liter diesel vehicles & model years**

- Volkswagen Touareg (2009-2016)
- Porsche Cayenne (2013-2016)
- Audi A6 Quattro (2014-2016)
- Audi A7 Quattro (2014-2016)
- Audi A8 (2014-2016)
- Audi A8L (2014-2016)
- Audi Q5 (2014-2016)
- Audi Q7 (2009-2016)

VW Settlement Components

- \$10.03 Billion – Buy Back or modifications on at least 85% of the subject vehicles (Appendix A & B)
- \$2 Billion – to promote the use of Zero Emission Vehicles (ZEV) (Appendix C)
- \$2.7 Billion to remediate excess NOX emissions (Environmental Mitigation Trust) (Appendix D)
 - **These are the funds states have been provided to expend.**





Vehicle Owners Program

- Directly with VW
- States had no dealings between VW and private vehicle owners

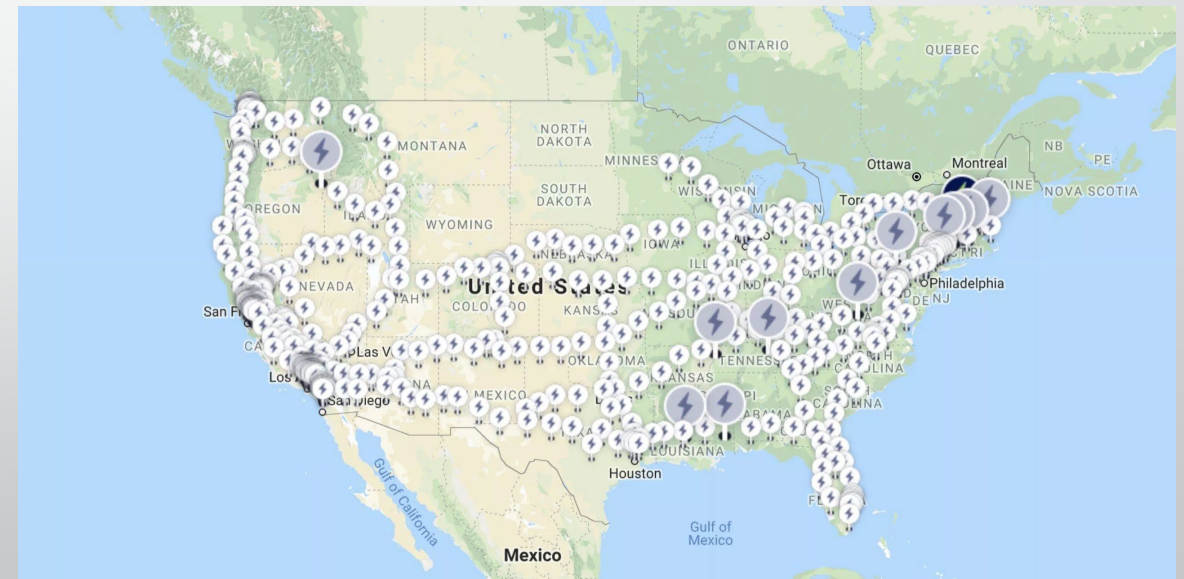
Zero Emission Vehicle Program

- Designed to promote the future use of zero emission vehicles
- VW created Electrify America
- 4 cycles (30 months) implementation
 - Cycle 1 ran from January 2017 – June 2019
- Public input provided for Cycle 2 Investments
 - January 15 – March 1, 2018
 - Cycle 2 runs from July 2019 – December 2021
- Project proposals can be submitted at any time



Electrify America Network

- As of April 2019, there are 140 fast charging stations through Electrify America
- By end of 2019 anticipated 480 charging stations located in 42 states – typically about 70 miles apart
- Mobile app available
 - Locate charging stations
 - Pay for charging
 - See pricing rates before you charge
 - Track your charging session



Electrify America Network in Kentucky

- Williamsburg – Walmart
- Bowling Green – National Corvette Museum
- Paducah – Walmart
- Louisville (actually in Clarksville, Ind.)
- Georgetown -- Walmart



Environmental Mitigation Trust

Background... Timelines

- VW Settlement designates \$2.7 Billion to be provided nationally for environmental mitigation – Intended to fully mitigate excess NOx emissions from 2 liter & 3 liter engines
- **Kentucky's total allocation is: \$20,378,649**
 - **December 2016** – The Governor designated EEC as the lead agency on behalf of the Commonwealth.
 - **March 2017** – The Court designated Wilmington Trust as the national trustee of the Environmental Mitigation Trust. Kentucky is officially listed as a beneficiary.
 - **October 2, 2017** – Trust Fund Effective Date (TED) – (This started the 10 year clock to expend the funds).
 - Beneficiaries must submit the final Beneficiary Mitigation Plan at least 30 days prior to requesting to draw down the Trust funds.

Deadlines to expend funds

- Funding must be expended within 10 year window –
- Trust effective date - **October 2, 2017**
 - First year – up to 1/3 of available funding (ending October 1, 2018)
 - Second year – up to 2/3 of available funding (ending October 1, 2019)
 - Years 3-10 – total funding available

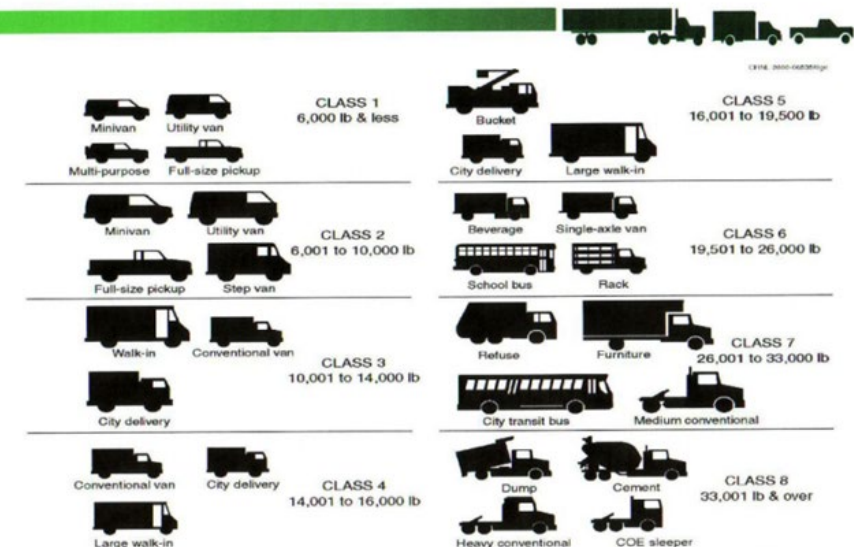


Eligible Projects

- Class 8 local freight trucks and port drayage trucks
- Class 4-8 school/shuttle/transit buses
- Freight switcher locomotives
- Ferries/tugboats
- Ocean going vessels shorepower



Truck Classifications



Eligible Projects *(continued)*

- Class 4-7 local trucks
- Airport ground support equipment
- Forklifts and cargo handling equipment at ports
- Light duty ZEV supply equipment (up to 15% of allocation)
- Diesel Emission Reduction Act (DERA)
- Administrative costs for implementation (up to 15%)



What is ineligible??

- These funds are for vehicle replacements – not to provide additional vehicles
- Vehicles being replaced must be **"SCRAPPED."**
- Appendix D2 to the Consent Decree defines "Scrapped to mean:

"...to render inoperable and available for recycle, and at a minimum to specifically cut a 3-inch hole in the engine block for all engines. If any Eligible Vehicle will be replaced as part of an eligible project, scrapped shall also include the disabling of the chassis by cutting the vehicle's frame rails complete in half."



Kentucky's Draft Plan

- Since April 2017, EEC has provided an on-line portal for ease of providing comments on how the funds should be used in Kentucky
- Numerous comments received from the public on what type of projects should be funded in the Beneficiary Mitigation Plan.
- Kentucky received over 400 comments since the portal was established



Kentucky's Draft Beneficiary Mitigation Plan

Proposed to give priority to projects in nonattainment or maintenance areas for ozone and PM_{2.5}

Eligible Mitigation Actions	% of Funds to be Allocated	\$\$ Amount Equivalency
CATEGORY 1: Eligible Public Transit Buses	At least 80%	\$16,302,919
CATEGORY 2: Light Duty Zero Emission Vehicle Supply Equipment (Government & Non-Government)	Up to 15%	\$3,056,797
CATEGORY 3: Administrative Costs	Up to 5%	\$1,018,933
Total		\$20,378,649

CATEGORY 1: Public Transit in Kentucky

- **3 Large Urban Systems**



- **6 Small Urban Systems**

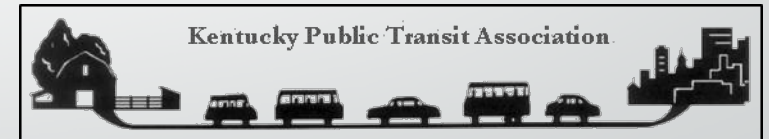
- Ashland, Owensboro, Bowling Green, Elizabethtown, Henderson, Clarksville

- **26 Suburban and Rural Systems**

- Suburban and rural systems provide transportation in nearly every county in the state

- Provide more than **30 million** trips annually

- To healthcare; to school; to jobs; ...
- **Jobs** - Over **11 million** work-based trips annually supporting **major employers** that have **significant workforce needs** in our Commonwealth.



CATEGORY 1:

Percent of Project Proposed to be Funded

CATEGORY 1: Public Transit Bus Allowable Expenditures (no less than \$16,302,919 in available funding)	Government Owned
(a) Repower with new diesel or alternate fueled engine	Up to 80%
(b) Replace with new diesel or alternate fueled vehicle	Up to 80%
(c) Repower with all-electric engine (includes infrastructure)	Up to 80%
(d) Purchase new all-electric vehicle (includes infrastructure)	Up to 80%



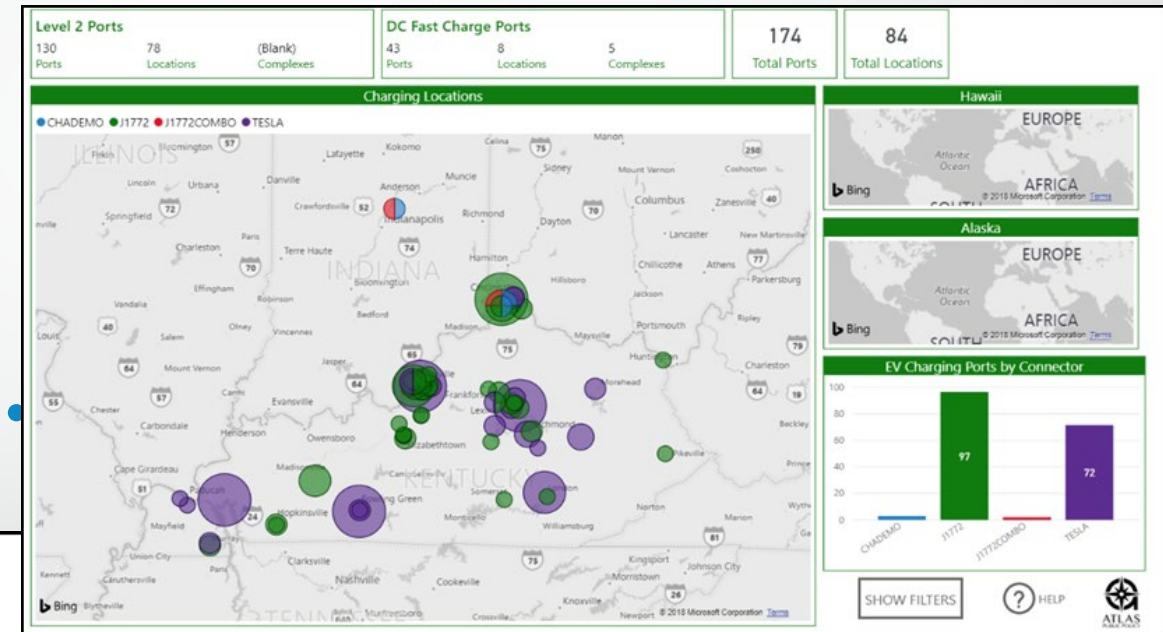
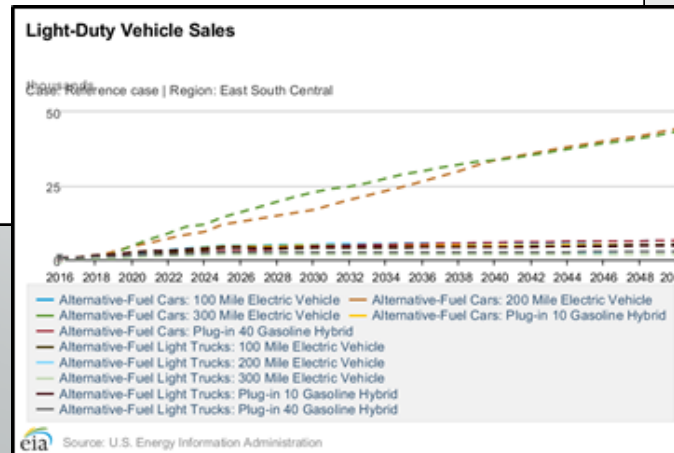
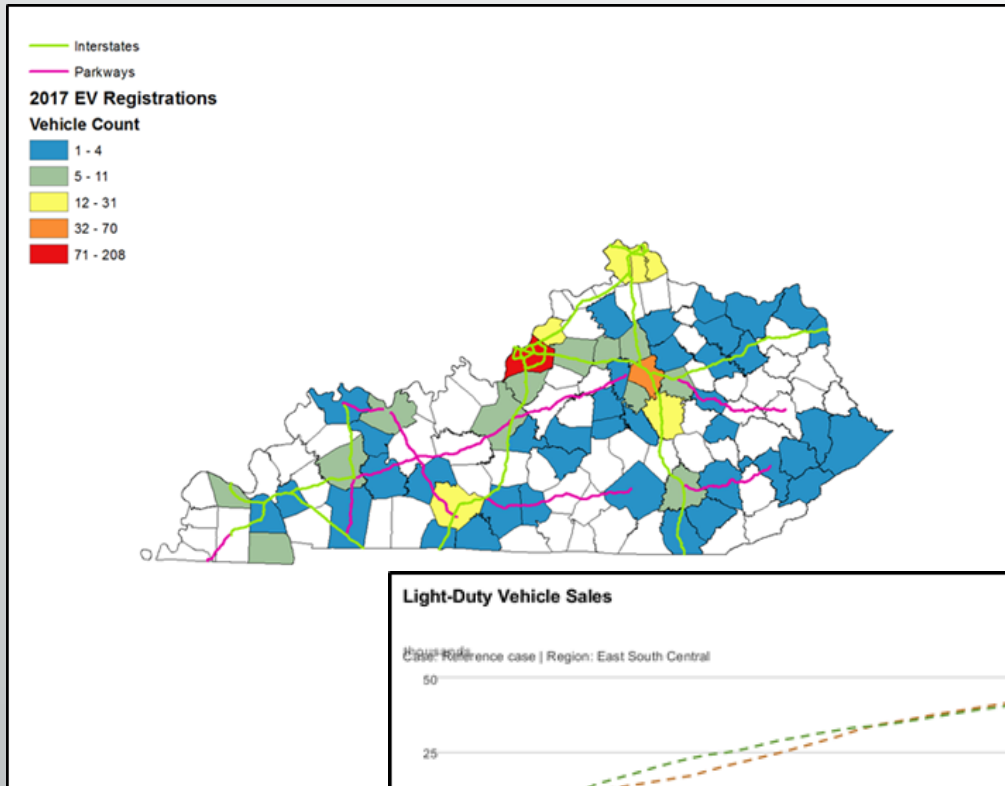
CATEGORY 2: Light Duty Zero Emission (ZEV) Supply Equipment

- Three (3) main types of **electric chargers**:
 - **Level 1** – uses the same 120 volt current found in standard household outlets. It is slow and typically provides 3-5 miles of range per hour of charging.
 - **Level 2** – uses 240 volt power to speed up vehicle charging System requires dedicated charging equipment and electrical wiring capable of handling the higher voltage. Charge times are typically 10-20 miles of range per hour of charging.
 - **DC Fast Charger** – allows vehicle to charge a battery (up to 80% of battery capacity) in 20-30 minutes. Requires more expensive charging equipment as well as high voltage – 3 phase power connections.



EV in Kentucky

EV Registrations in Kentucky



Percent of ZEV projects Proposed to be Funded *(levels from Appendix D2)*

CATEGORY 2: ZEV Project Allowable Expenditures (up to \$3,056,797 in available funding)	Percentage Funded through VW Trust
(a) Electric Vehicle Supply Equipment (EVSE) – publicly available at government owned property	Up to 100%
(b) EVSE – publicly available at non-government owned property	Up to 80%
(c) EVSE – at workplace but not available to general public	Up to 60%
(d) EVSE – at multi-unit dwelling but not available to general public	Up to 60%
(e) Fuel Cell Vehicle Supply Equipment (FCVSE)– publicly available and able to dispense at least 250 kg/day	Up to 33%
(f) FCVSE – publicly available and able to dispense at least 100 kg/day	Up to 25%

Kentucky VW Related issues from 2018 Legislative Session

- From HB 200 (Budget Bill)

Volkswagen Mitigation Trust Agreement: All funds received from the environmental mitigation trust established by Volkswagen pursuant to the partial consent decree shall be held in a trust and agency account. **These funds shall not be expended or appropriated without the express authority of the General Assembly.**

NATIONWIDE

- NASEO (National Association of State Energy Offices) staff facilitate monthly calls with states on implementation issues surrounding the Trust.
- Pose questions on implementation issues
 - How other states deal with reporting
 - What models did different states use for different categories to estimate emission reductions
 - Match issues

OTHER STATES

- July 17, 2019 -- Florida Releases Draft Beneficiary Mitigation Plan
- June 17, 2019 – North Carolina Opens \$27 Million Funding Round for Bus & Vehicle Replacements & DC Fast Charging
- June 24, 2019 – Virginia to Invest in \$12 Million in Electric Transit Buses
- June 6, 2019 – Iowa Awards 4.6 million in VW Settlement Funding for Diesel & Propane Trucks & Buses
- May 22, 2019 – Tennessee Allocates \$8.8 Million of VW Settlement Funds for School Bus Replacement
- February 15, 2019 – Mississippi Department of Environmental Quality releases Draft VW Beneficiary Mitigation Plan

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<https://eec.ky.gov/Pages/Volkswagen-Settlement.aspx>

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