

VW Settlement

VW Environmental Mitigation Trust Fund



Connecticut Department of Energy and Environmental Protection

VW Settlement

- Partial consent decree approved on October 25, 2016 addresses VW's illegal use of emission control "defeat devices" on nearly **500,000** 2.0L diesel vehicles for model years 2009-2015
- **11,911** affected vehicles in Connecticut
- Intent of funds is to achieve **NOx reductions** to offset the excess NOx created by the subject VW vehicles

The NOx Impacts from VW Diesel Vehicles

40x
2.0L Vehicles

9x
3.0L Vehicles

greater than federal standard

46,000
TONS

of excess emissions from 2.0L Vehicles



Continued Legal Action

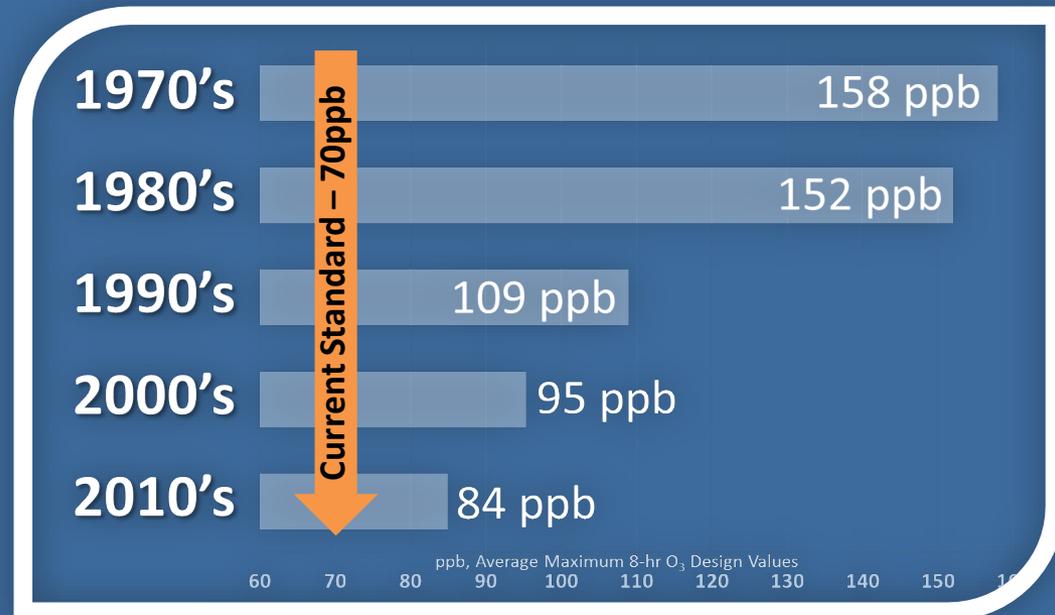
- Consent decree for 3.0L diesel VW vehicles was finalized on December 20, 2016
 - Adds additional diesel mitigation trust funding to be administered through the same trust. CT receives an additional **\$4,085,932.31** in trust funding.
 - Buyback and recall for affected vehicles (Approved by CARB January 6)
- VW agrees to pay **\$1.25** billion to U.S. Government in Criminal Penalties (Jan 11)
- Criminal charges have been brought against former VW U.S. compliance officer for cover up of cheating. (Jan 8)



Why NOx Matters in CT: Ozone

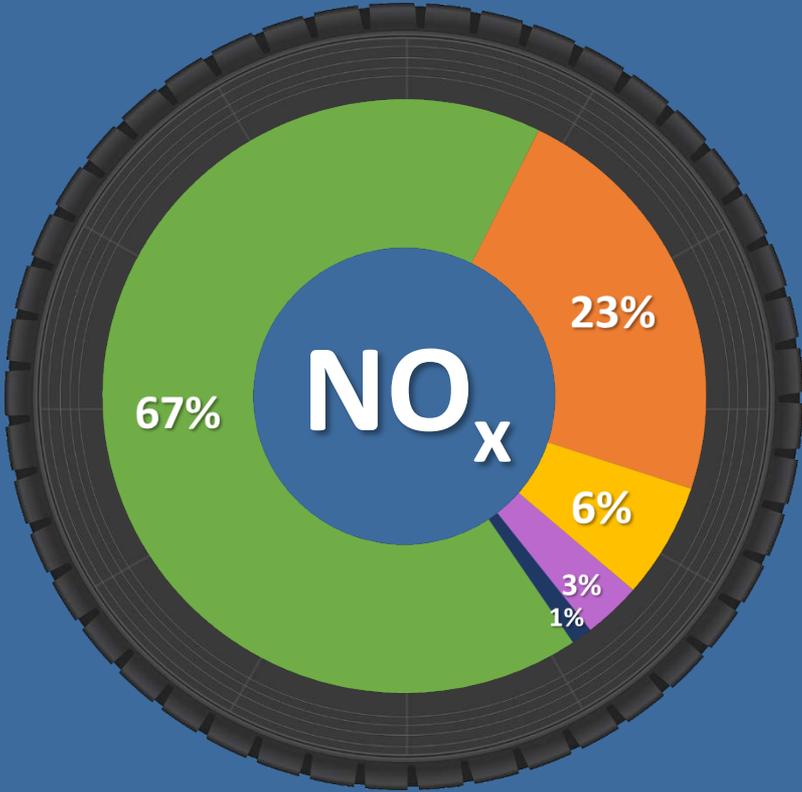
- NOx is emitted by cars, trucks, power plants, industrial sources - basically, anything that burns fuel emits NOx
- Ozone forms in air when NOx (and other pollutants) chemically react in the presence of sunlight
- Ozone is a harmful respiratory irritant, especially in children and elderly
- EPA revises ozone standards regularly to protect public health

Lower Ozone Over Time – But Still Unhealthy



NOx Emissions in CT

Mobile Sources
account for
67%
of all NOx
emissions in CT
(on-road and non-road)



- Mobile
- Other Fuels
- Waste Disp.
- EGUs
- Other

“Other Fuels” is the combination of residential, commercial and industrial fuel use.

NOx Data: 2014 National Emissions Inventory (NEI)



Further Legal Actions Possible

- CT's Attorney General investigating state environmental claims against VW
- Additional investigations into Audi vehicles that are reportedly showing higher laboratory emissions than reported emissions



2.0L Settlement Summary

\$10.033 billion for compensation to VW owners

- Direct compensation, vehicle buyback and/or repairs
-

\$2.7 billion into environmental mitigation trust

- Support environmental programs over 10 years to reduce NOx by the amount equal to or greater than caused by VWs cars
 - States must register as beneficiaries of the trust to access funds
-

\$2 billion ZEV investment commitment from VW over and above any amount VW planned to spend on such technology

- \$1.2 billion national spend; \$800 million CA spend
- Four “30 month” plans to spend down this amount



Funds Disbursement



\$2B VW ZEV Investment

- VW hired Brendon Jones as CEO of entity making investment
- VW developing plan and will decide how funds are to be spent
- Comment period first round closes Jan 16
- EPA/DOJ will review/approve VW plan

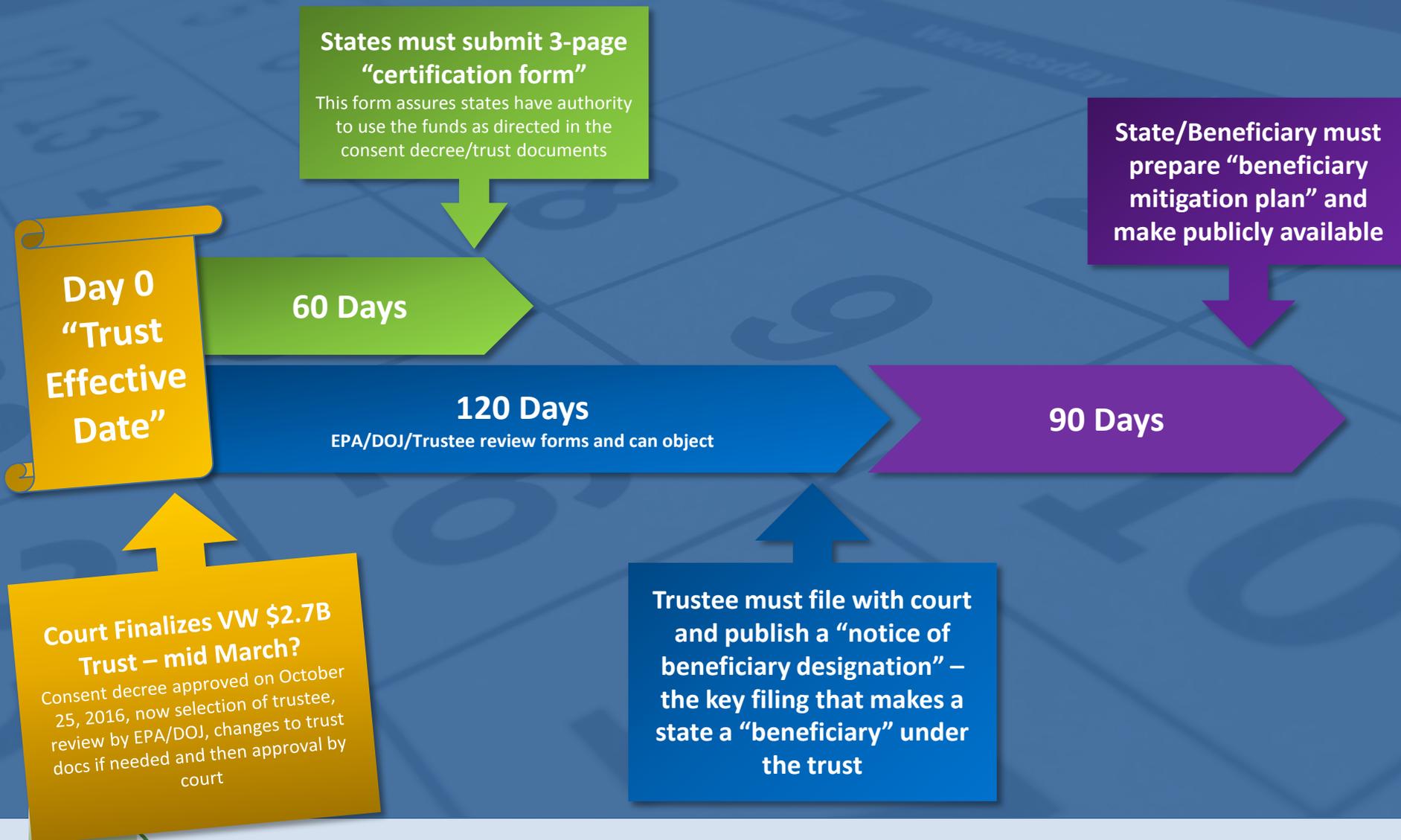


\$2.7B Environmental Mitigation Trust Fund

- Funds held by 3rd party trustee (TBD)
- Use of funds only for pre-approved projects subject to trust agreement and federal consent decree
- Emission reductions to offset excess VW NOx emissions



Timeframes



Environmental Mitigation Trust

- Allocation for CT is about **\$51.6 million + \$4,085,932**
 - This allocation could increase if potential beneficiaries opt out
- Disbursement over **10 year** schedule
- Trust account will be administered by a trustee (TBD)
 - Trustee will approve project funding based on applications for eligible projects meeting specific criteria
- To access funds, CT must first become a “trust beneficiary” and:
 - Submit certification of legal authority and consent to trustee authority (and jurisdiction of federal district court for Nor’Cal)
 - Submit a “beneficiary mitigation plan” subject to review/approval



Eligible Mitigation Projects

- Projects eligible to receive funding include:
 - Repowering or replacing a wide range of diesel vehicles/engines 
 - If Gov't owned, up to **100%** cost is covered
 - If privately owned, usually **25-75%** cost is covered depending on technology (diesel less, electric more)
 - Zero Emission Vehicle Supply Equipment
 - capped at **15%** of state allocation
 - Funds may be used as match to leverage additional federal Diesel Emission Reduction Act (DERA) funds for use on DERA authorized projects
- Class 8 local freight and port drayage trucks
 - Class 4-8 school, shuttle, transit buses
 - Freight switcher locomotives
 - Ferries/Tugs
 - Class 4-7 local freight trucks
 - Airport ground support equipment
 - Forklifts and Cargo Handling Equip.
 - Oceangoing vessels shore power



Mitigation Trust – CT Plan

- CT must draft and submit a Beneficiary Mitigation Plan
 - Due date not yet known (perhaps Q2 2017)
 - Plan to summarize how CT will use funds to lower NOx
 - Provide public with high-level vision for the use of funds
- Open Informal Comment Period Soon
 - Plan will be developed in an open and transparent process with multiple opportunities for comment
 - Web site portal for info www.ct.gov/deep/vw
 - DEEP staff developing inventories of equipment and ideas
 - Initial focus on proven ideas & established processes
 - Analytics and the new three “E’s:”
 - emissions, economics and energy



Mitigation Plan and NOx Reductions

- Previous DERA projects have shown that lifetime NOx reductions can be significant when the right projects are chosen:

	P&W Railroad APUs (idle reduction)	Cross Sound Ferry MV Susan Anne Engine Upgrade	Enfield Recycling Truck Replacement	
				
Type	Rail	Marine	HD Truck	
DERA Funding	\$9.6k	\$250k	\$147k	
Total Funding	\$23.9k	\$1.33M	\$588k	
NOx Reduction	(per year)	48.5 tons	48.0 tons	3.76 tons
	(lifetime)	1,309 tons	719.4 tons	85.2 tons



CT Mitigation Plan – initial thoughts

- Flexible plan to cover all eligible project areas
 - Immediate NOx reductions to offset illegal VW pollution
 - Truck and bus replacements
 - Locomotives
 - Ports, shore power
 - Ferry engine repowering
 - Airports
 - Electric vehicle charging infrastructure
 - Alternative fuel fleets and infrastructure
 - Electric HD trucks or other new technology when commercially available



Additional Economic Benefits for CT

- Funds will have multiplier effect
 - Mechanics and Engine Manufacturers
 - Fuel Savings for Municipal, State and Private Fleets
 - Electrician and Construction Jobs
 - Auto Dealers with increased EV and fuel cell vehicle sales
 - Vehicle Manufacturers
 - State sales tax increase from new vehicles



Comment, Comment, Comment

- Zero Emission Vehicle Planning (Appendix C) comments first round close January 16, 2017.
- 3.0 Liter Settlement. Comment period closes January 19, 2019.
- CT Draft Mitigation Plan Informal Comment Period (Soon)
- CT Draft Mitigation Plan Formal Comment Period (Later)

Go to www.ct.gov/deep/vw and www.epa.gov/vw



Next Steps

- Go to www.ct.gov/deep/vw
- Sign up for our VW Email Distro List (online form)
- Submit Ideas for Connecticut's Diesel Mitigation Plan (Draft Plan) to DEEP.mobilesources@ct.gov
- Participate in our public process for the Draft Plan
- After the Plan is finalized, look for grant opportunities as they become available later in 2017 (Q2)
- All grant info will be available on DEEP's website

GOAL * PLAN * SUCCESS