



Volkswagen Settlement Update

November 8, 2017

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Department of Environmental Quality



Outline

- **What did VW do?**
- **Summary of settlement agreements**
- **What does this mean for NC?**
- **Settlement parameters**
- **Eligible project categories**
- **Opportunity for partnerships**
- **Engagement with interested parties**
- **DEQ's experience**

What did VW do?

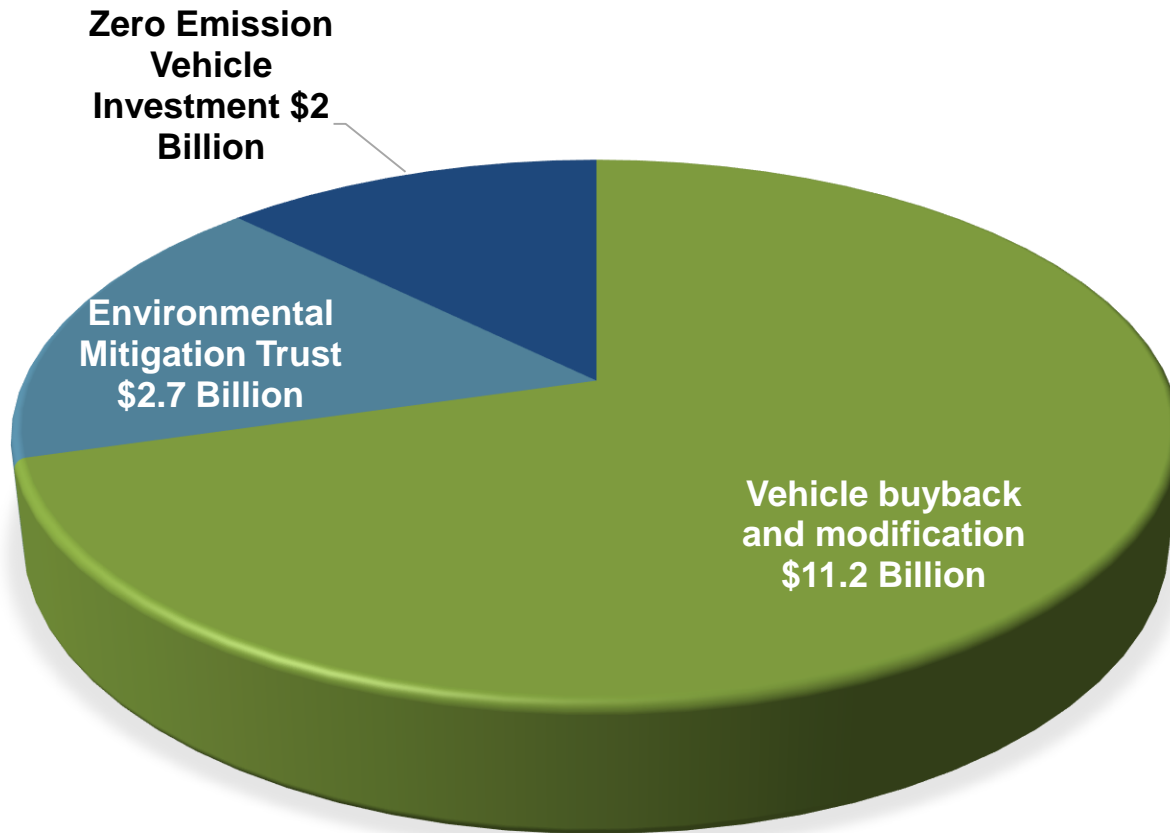
- **2015 – U.S. EPA cited VW with Clean Air Act violations.**
 - **Manufactured and installed defeat devices**
 - **Approximately 580,000 vehicles impacted nationally**
- **2016 – Settlement agreements of \$14.7 billion nationally were lodged by U.S. DOJ and State Attorney Generals (including NC DOJ) with court to resolve matters related to the violations.**

Volkswagen Settlement Summary

- Three major components to the settlement:
 - Buyback or emissions modification on at least 85 percent of the subject vehicles (Appendices A & B)
 - Invest \$2 billion to promote the use of zero emission vehicles and infrastructure (Appendix C)
 - \$2.7 billion to fully remediate the excess NOx emissions from the subject 2.0 liter vehicles (Appendix D)
 - +\$225 million for 3.0 liter diesel engines

Volkswagen Settlement Summary

National Breakdown



Volkswagen Settlement Summary

Appendix D – Mitigation Trust

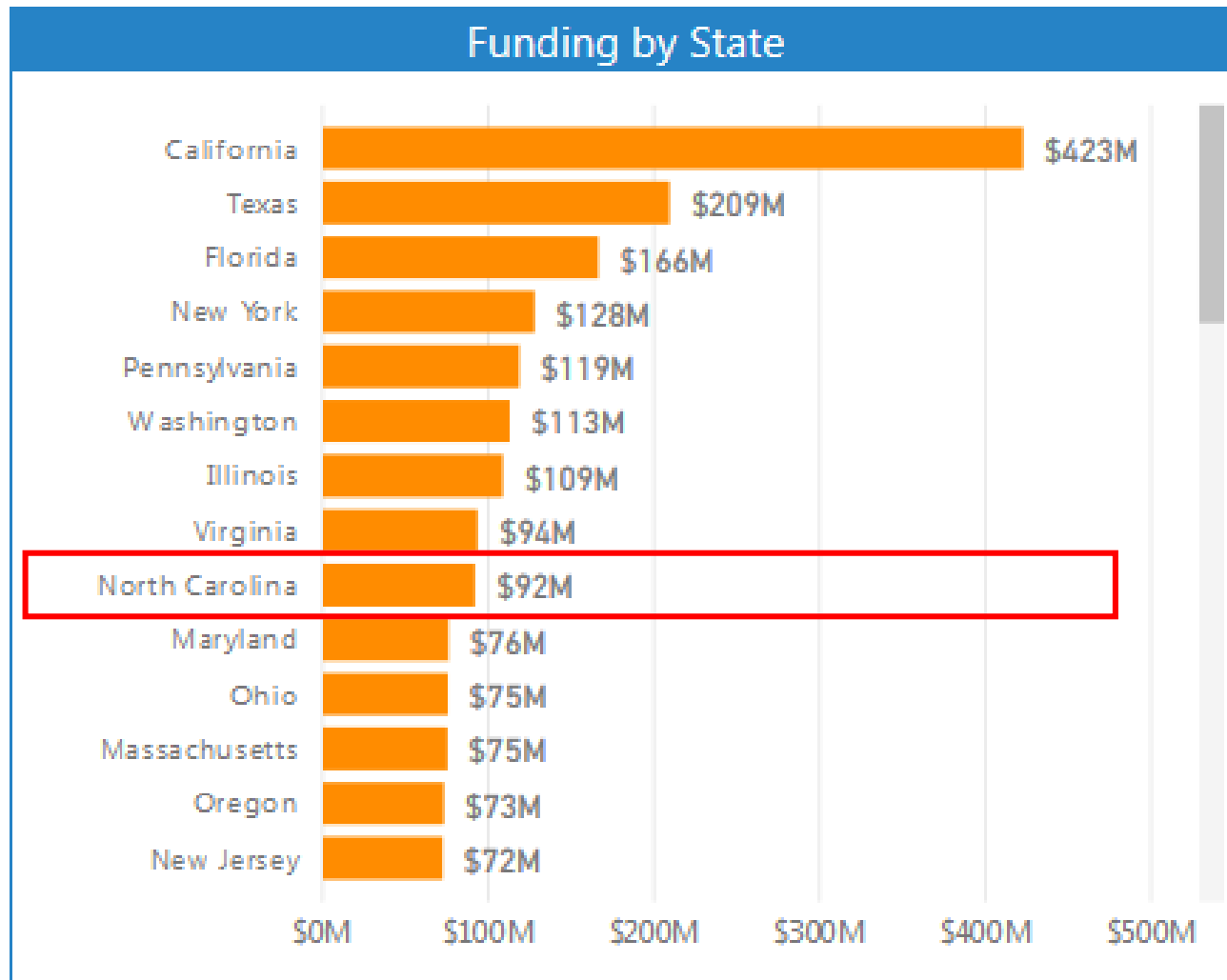
- **To administer these funds, an “environmental mitigation trust” has been established. States that wish to access their allocated portion of the funds will apply to become beneficiaries of the trust.**
- **The Governor must indicate and certify which agency, department, office, or division will have the delegated authority to act on behalf of and legally for North Carolina.**
- **States must indicate that they want to receive funding by filling out and submitting the certification form to the trustee.**

Volkswagen Settlement Summary

Appendix D – Mitigation Trust for NC

- The North Carolina allocation is set at **\$87,177,373.87** – 3.23% of the \$2.7 billion settlement. This is based on the number of registered subject vehicles in the state for the 2.0 liter subject vehicles.
- Additionally, North Carolina is eligible for **\$4,868,284.13** – 2.16% of the \$225 million settlement for the 3.0 liter subject vehicles.
- At total amount of **\$92,045,658.00** – 3.15% is allocated for North Carolina.

Appendix D – Mitigation Trust

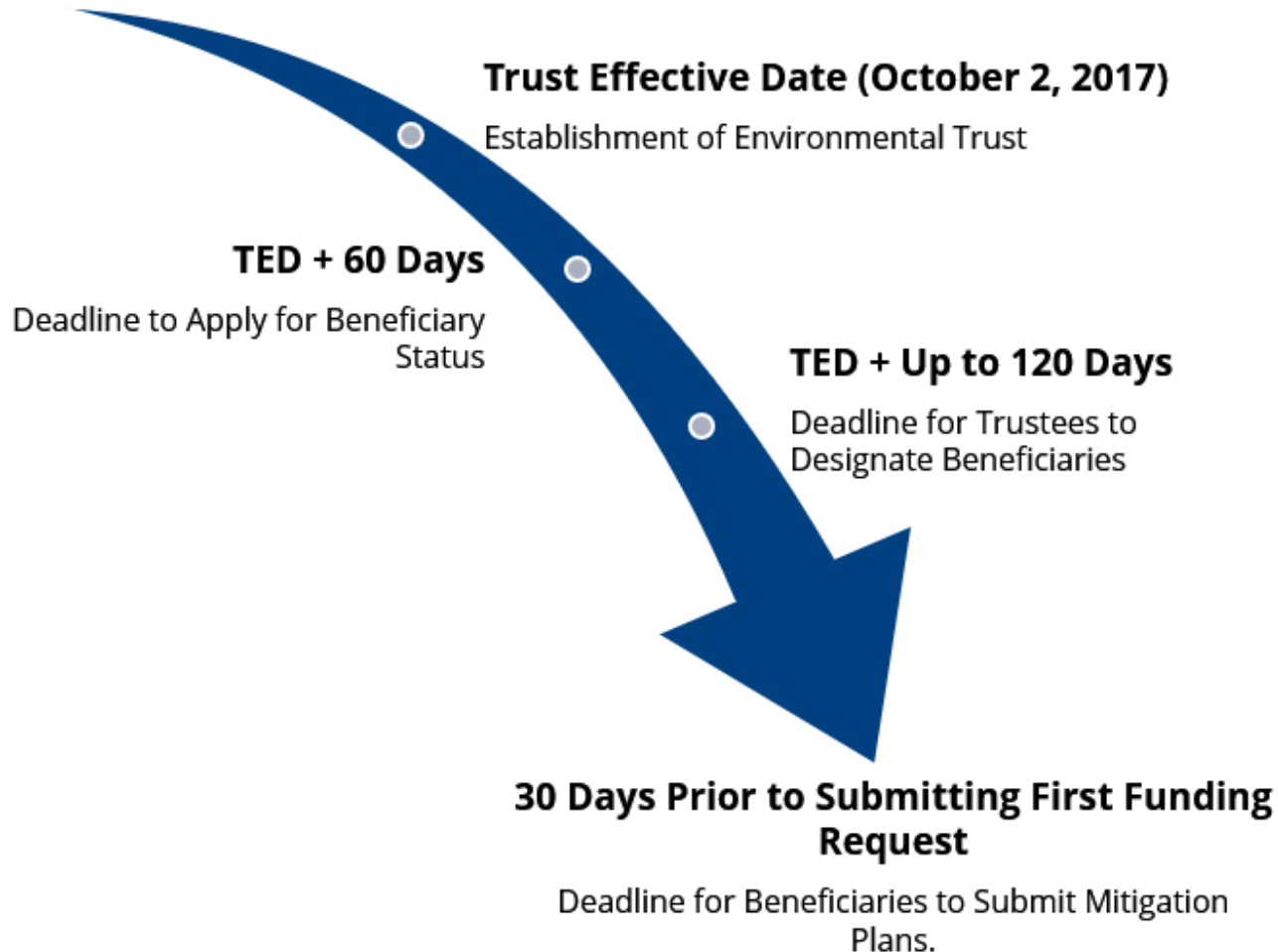


Volkswagen Settlement Summary

Appendix D – Mitigation Trust for NC

October 2016

Settlement Effective Date



Timeline

<u>Event</u>	<u>Date</u>	<u>Action</u>
• Settlement Effective Date	October 25, 2016	➤ C.D. entered into court
• Trustee approved by Court	March 15, 2017	➤ Wilmington Trust
• Trust Effective Date (TED)	October 2, 2017	➤ Starts process
• TED + 60 days	December 1, 2017	➤ Gov. files certification
• TED + up to 120 days	February 1, 2018	➤ Beneficiary approved
• 30 days prior to requesting funding	Spring/Summer 2018	➤ Beneficiary Mitigation Plan due

Appendix D – Settlement Parameters

- Up to one-third of funds – initial request
- Up to another third – one year after TED
- Remainder – two years after TED
- All funds must be expended by 10 years after TED
- All eligible vehicles replaced must be scrapped

Appendix D – Settlement Parameters

Beneficiaries may spend funds from the environmental mitigation trust on projects that fall within ten eligible mitigation action categories.

According to the final consent decree, “the goal of each Eligible Mitigation Action shall be to achieve reductions of NOX emissions in the United States.”

Trustee must approve the mitigation plan and the project expenditures.

Eligible Mitigation Projects

Class 8 local freight trucks and port drayage trucks

- Repower or replacement of Class 8 (over 33,000 pounds) local freight and port drayage trucks. This includes trucks used for hauling cargo to and from ports and intermodal rail yards as well as trucks used for freight or cargo delivery including waste haulers, dump trucks, and concrete mixers.

Class Eight: 33,001 lbs. & over



Cement Mixer



Dump



Fire Truck



Fuel



Heavy Semi Tractor



Refrigerated Van



Semi Sleeper



Tour Bus

Eligible Mitigation Projects

Class 4-8 school bus, shuttle bus or transit bus

- **Repower or replacement of a Class 4-8 School Bus, Shuttle Bus, or Transit Bus (vehicles with a Gross Vehicle Weight Rating (GVWR) greater than 14,001 lbs used for transporting people). Vehicles eligible for scrappage and repower or replacement include those with engine model years prior to 2009. (For states which already require replacement of these vehicles, buses using engines from model years 2010-2012 will also be eligible.)**



Eligible Mitigation Projects

Freight switchers

- Repower or replacement of pre-Tier 4 freight switcher locomotives that operate 1,000 or more hours per year. A freight switcher is a locomotive that moves rail cars around a rail yard as compared to a line-haul engine that moves freight long distances.



Eligible Mitigation Projects

Ferries and tugs

Ferries or tugs equipped with unregulated, Tier 1, or Tier 2 marine engines may be repowered.



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Eligible Mitigation Projects

Ocean going vessels shorepower

Marine shorepower. Eligible marine shorepower systems provide electric auxiliary power from shore while a boat is docked to allow a vessel's engines to turn off and remain off while the vessel is at berth.



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Eligible Mitigation Projects

Class 4-7 local freight trucks (medium trucks)

Repower or replacement of Class 4-7 local freight trucks.

Vehicles eligible for scrappage and repower or replacement include those with engine model years 1992–2009.

For states which already require replacement of these vehicles, trucks using engines from model years 2010–2012 will also be eligible.

Class Four: 14,001 to 16,000 lbs.



City Delivery



Conventional Van



Landscape Utility



Large Walk In

Class Five: 16,001 to 19,500 lbs.



Bucket



City Delivery



Large Walk In

Class Six: 19,501 to 26,000 lbs.



Beverage



Rack



School Bus



Single Axle Van



Stake Body

Class Seven: 26,001 to 33,000 lbs.



City Transit Bus



Furniture



High Profile Semi



Home Fuel



Medium Semi Tractor



Refuse



Tow

Eligible Mitigation Projects

Airport ground support equipment

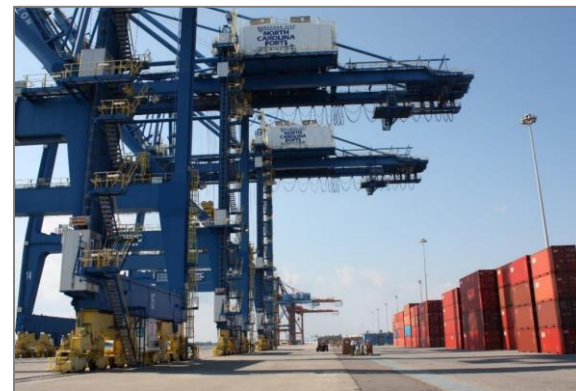
To focus on concentrated emissions reductions at airports, the mitigation trust is authorized to support fuel switching of diesel and gasoline airport ground support equipment. This type of equipment includes all vehicles and equipment used at airports to service aircraft between flights.



Eligible Mitigation Projects

Forklifts and port cargo handling equipment

Repower or replacement of forklifts and port cargo handling equipment. Eligible repower or replacement includes electric charging infrastructure.



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Eligible Mitigation Projects

Light duty zero emission vehicle supply equipment

Beneficiaries may use up to 15 percent of their allocation of trust funds for the acquisition, installation, operation and maintenance of new light duty zero emission vehicle supply equipment.



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Eligible Mitigation Projects

Diesel Emission Reduction Act (DERA) option

DERA provides funding for projects that reduce emissions from existing diesel engines.

Authorized under the Energy Policy Act of 2005 and administered by U.S. EPA, DERA is designed to help replace or retrofit older, dirtier engines still in use with clean diesel or alternative fuel engines.



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Partnerships

Looking forward to further consultations:

- **Department of Transportation (DOT)**
- **Department of Commerce (DOC)**
- **Other interested entities**

Engagement with interested parties

so far in 2017

- North Carolina Electric Membership Corporation
- Caterpillar
- RTI International
- Chargepoint
- PSNC Energy
- NC DOT-Transit
- NC DOT-Rail
 - McDowell Engineers & Associates
- NC DOT-Ports
- North Carolina Department of Public Instruction
- North Carolina Propane Gas Association
- North Carolina Clean Energy Technology Center
- InnovoGraph
- City of Wilmington
- Duke Energy
- Piedmont Natural Gas
- NC Motor Fleet Management
- NC Clean Cities Coalition
 - Triangle Clean Cities Coalition
 - Centralina Clean Fuels Coalition
 - Land of Sky Clean Vehicle Coalition
- Nicholas Institute for Environmental Policy Solutions (Duke University)
- KEW Grant Services and Knoxville Locomotive Works

Next step - Opportunity for engagement

Request For Information (RFI)

- **For planning purposes**
- **Get key input from government and non-government stakeholders**
- **Will assist in determining the range and types of diesel emission reduction and mitigation projects that potentially exist in the state**
- **Help inform NC's draft Beneficiary Mitigation Plan**

Summary

Early in the process

Public engagement and transparency

Settlement parameters

“...goal... to achieve reductions of NOx emissions”

DEQ/DAQ experience

Contacts

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Thank You!

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<http://deq.nc.gov/about/divisions/air-quality>