



VOLKSWAGEN SETTLEMENT: MEMO TO STATE ENERGY OFFICES

TO: NASEO Members

FROM: David Terry, Executive Director, NASEO

SUBJECT: Volkswagen Settlement - State Funding Opportunities and Background Information

Summary: In two related settlements, German automaker Volkswagen AG has agreed to spend up to \$14.7 billion to settle allegations of cheating emissions tests and deceiving customers. The automaker will spend up to \$10.03 billion to compensate consumers under the program, and will spend \$4.7 billion to mitigate the pollution from these cars and invest in clean vehicle technology. **There are a number of potential funding and input opportunities for State Energy Offices and their partners that may require action in the near future. Because this is a somewhat time sensitive topic, NASEO is conducting a webinar on Thursday, July 21 at 1:30 pm ET.** In addition, we have provided some key elements of the Partial Consent Decree below (the Partial Consent Decree outlining the terms of the settlement can be found here).

Key Elements of the Partial Consent Decree: Of the \$4.7 billion mitigation and investment allocation, \$2.7 billion will be set aside for an Environmental Mitigation Trust Agreement, which will be allocated among states, territories and tribes; the remaining \$2 billion will be spent on a nation-wide Zero Emission Vehicle Investment Commitment, and specific investments in California.

- *Environmental Mitigation Trust Agreement:* Over the next ten years, \$2.7 billion from the settlement will fund environmental mitigation projects that reduce emissions of nitrogen oxides (NOx). The \$2.7 billion will be deposited in a trust and allocated among beneficiaries (a list of state allocations can be found on page 207 of the consent decree), who will propose and administer eligible mitigation actions. Each beneficiary will develop

a mitigation plan that will summarize how the beneficiary plans to use the mitigation funds. Eligible mitigation actions include replacing or repowering eligible large trucks, buses, freight switchers, ferries/tugs, medium trucks and other vehicles with new diesel or alternative fuel engines, or all-electric engines. Beneficiaries may also use up to 15 percent of their allocation of trust funds on acquiring, installing, operating and maintaining new light duty zero emission vehicle supply equipment. **While states are eligible beneficiaries, states must file a Certification Form not later than 60 days after the Trust Effective Date in order to become a beneficiary and receive settlement funds. Each form must include a designation of "lead agency," certified by the Office of the Governor. While each state will determine their own lead agency, there is an opportunity for State Energy Offices to either act as lead or work with the lead agency in their state.**

- *ZEV Investment Commitment:* \$1.2 billion from the settlement will support increased use of ZEV technology in the U.S., and \$800 million will be used to support ZEV technology in California. Eligible ZEV investments will include: the design, planning, construction, installation, operation and maintenance of ZEV infrastructure; the development of brand-neutral education and public outreach campaigns; and programs to increase public exposure or access to ZEVs. Under the terms of the proposed consent decree, Volkswagen AG must develop Credible Cost Guidance, a National ZEV Outreach Plan, and a National ZEV Investment Plan, and each plan must be approved by EPA. **States, municipal governments, and others will have an opportunity to provide input during a comment period following the development of the National ZEV Outreach Plan. During this time, states may weigh-in on the types of investments Volkswagen may make, including locations and types of infrastructure, and criteria for education and outreach activities.**

Comment Period: The comment period for the Partial Consent Decree is open from July 6, 2016 - August 5, 2016. During this time, State Energy Offices and others may wish to provide input on the proposed terms of the settlement.