The VW Settlement: A Once in a Generation Opportunity for Vermont

By Vermont Energy Investment Corporation

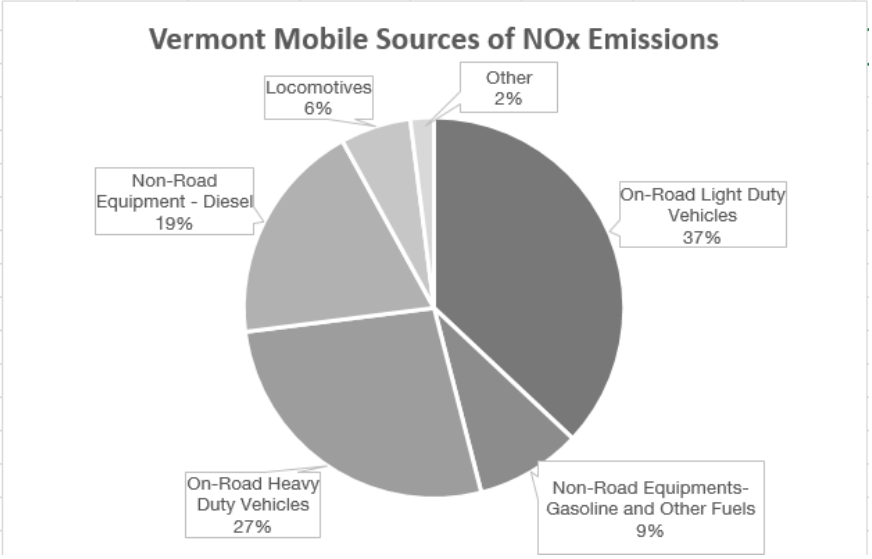
What is the VW Settlement?

In June of 2016, the U.S. Environmental Protection Agency reached a historic settlement with Volkswagen AG (VW) for installing software (also known as defeat devices) in diesel vehicles that led to the release of thousands of tons of NO_x emissions in excess of regulated limits. The settlement consists of three parts:

- $10 billion to a vehicle buyback and modification program for affected consumers
- $2 billion for national investment by VW for Zero Emissions Vehicle (ZEV) infrastructure and a brand-neutral campaign raising awareness of ZEV's
- $2.7 billion to an Environmental Mitigation Trust to be used by states to reduce NO_x emissions

What does it mean for the State of Vermont?

Vermont is set to receive an allocation of $17.8 million for 2.0 liter engine vehicle violations and $890,000 for 3.0 liter engine vehicle violations from the Environmental Mitigation Trust. Once a national trustee is selected and the trust is established (likely in the first half of 2017), Vermont has 60 days to file a Beneficiary Certification Form in order to be eligible for funds. Then Vermont has another 90 days to file a plan, which must include a process for public input.



US EPA 2014 National Emissions Inventory

The VW settlement provides a unique opportunity for Vermont to update fleets, reduce transportation emissions and potentially transform markets. The settlement outlines 10 mitigation actions eligible under the trust, which generally focus on reducing NO_x emissions through the repower or replacement of older heavy duty diesel vehicles with newer, cleaner vehicles including electric vehicles. Up to fifteen percent of the funds can be used for ZEV infrastructure and another fifteen percent can be used to administer the plan.

Environmental Mitigation Trust Overview: Vermont's share

Amount	$18.7 million
Purpose	Support programs and actions that reduce NOx emissions
Plan Developer	Vermont's designated agent/beneficiary, with input from the public
Administrator	Trustee & States' designated agent/beneficiary

Important Considerations

- Align with state goals: Use trust funds in alignment with state goals on job creation, health, education and energy.
- Examine emissions sources when determining the best way to invest these funds: Up to 15% of funds may be used for electric vehicle charging - this could help offset Vermont's greatest source of NOx emissions - cars.

- Consider lifetime costs: A new diesel fleet truck or bus may cost less up front than its electric counterpart but for government fleets including state, municipal, school and transit systems, taxpayers will be paying more for fuel and maintenance costs for the life of the truck or bus.
- Invest locally: Almost 80% of the cost of a gallon of diesel immediately leaves the local economy.[1] In 2014, Vermonters spent $1.38 billion on petroleum-based fuel for transportation.[2] Electrifying the light-duty transportation sector could keep more than $500 million in the Vermont economy and with Vermonters each year.[3] Vermont's electricity is among the cleanest in the nation and has the lowest NOx emissions of any state.[4] Building on this clean energy foundation keeps money in state, inspires innovation and creates jobs.

What is happening in other states?

Several states have assigned a lead agency and have begun soliciting public input. These include CO, MD, TN, MI, WA, OR and MD.

Virginia has issued a draft plan with two overarching priorities:

1. Achieve significant and sustained reductions in diesel emissions in terms of tons of reductions in diesel emission exposures in areas designated as poor air quality areas, areas with historical air quality issues, and areas that receive a disproportionate quantity of air pollution from diesel fleets; and
2. Expedite deployment and widespread adoption of zero emission and near-zero emission vehicles and engines.

The Northeast States for Coordinated Air Use Management (NESCAUM) has observed that the opportunities for NOx reductions from diesel engines can vary widely; for example, states without large ports may have fewer opportunities to reduce emissions from cargo-handling equipment. Therefore, NESCAUM has encouraged states to focus on zero-emissions vehicle (ZEV) investments, which would make a significant contribution to accelerating ZEV market growth.

Additional Guidance

EPA's VW mitigation website:
https://www.epa.gov/sites/production/files/2016-11/documents/faqsecondedition.pdf
The VW Partial Consent Decree:
https://www.naseo.org/Data/Sites/1/doj-motion-ex.-2-(2).pdf

---

[1] http://www.eia.gov/petroleum/gasdiesel/
[2] http://www.eia.gov/state/seds/sep_fuel/html/pdf/fuel_pr_pa.pdf
[3] This estimate is based on the following assumptions and sources: Vermont annual vehicle miles traveled data from the Bureau of Transportation Statistics (assumed light duty fleet made up 70% of total VMT): http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/state_transportation_statistics/state_transportation_statistics_2011/html/table_05_03.html). Gasoline costs = $2.20 per gallon from: http://www.eia.gov/petroleum/gasdiesel/ electricity costs=17.53¢ kWh from: https://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a).
Average vehicle efficiency (21.4 miles per gallon) from:
(http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/html/table_04_23.html) Electric vehicle efficiency is assumed to be 3.33 miles per kWh.
[4] From EPA egrid 2012 data https://www.epa.gov/energy/egrid