



Volkswagen Settlement Draft Mitigation Plan

April 12, 2018

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Department of Environmental Quality



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

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 – 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 – Eligible Project Categories

1. **Class 8 Local Freight or Port Drayage Trucks**
2. **Class 4 – 8 School Bus, Shuttle Bus or Transit Bus**
3. **Freight Switchers**
4. **Ferries and Tugboats**
5. **Ocean Going Vessels Shorepower**
6. **Class 4 – 7 Local Freight Trucks (Medium Trucks)**
7. **Airport Ground Support Equipment**
8. **Forklifts and Port Cargo Handling Equipment**
9. **Light Duty Zero Emission Vehicle Supply Equipment**
10. **Diesel Emission Reduction Act (DERA) Option**

Review of Actions to Date

- **November 21, 2017 – DEQ designated as beneficiary by Governor.**
- **November 22, 2017 – DEQ releases Request for Information (RFI) – comment period ended Dec 31.**
- **November 29, 2017 – DEQ's application to trustee to become a beneficiary deemed on-time and complete.**
- **January 29, 2018 – DEQ officially named a beneficiary by trustee.**
- **March 19, 2018 – Draft mitigation plan released for comment.**

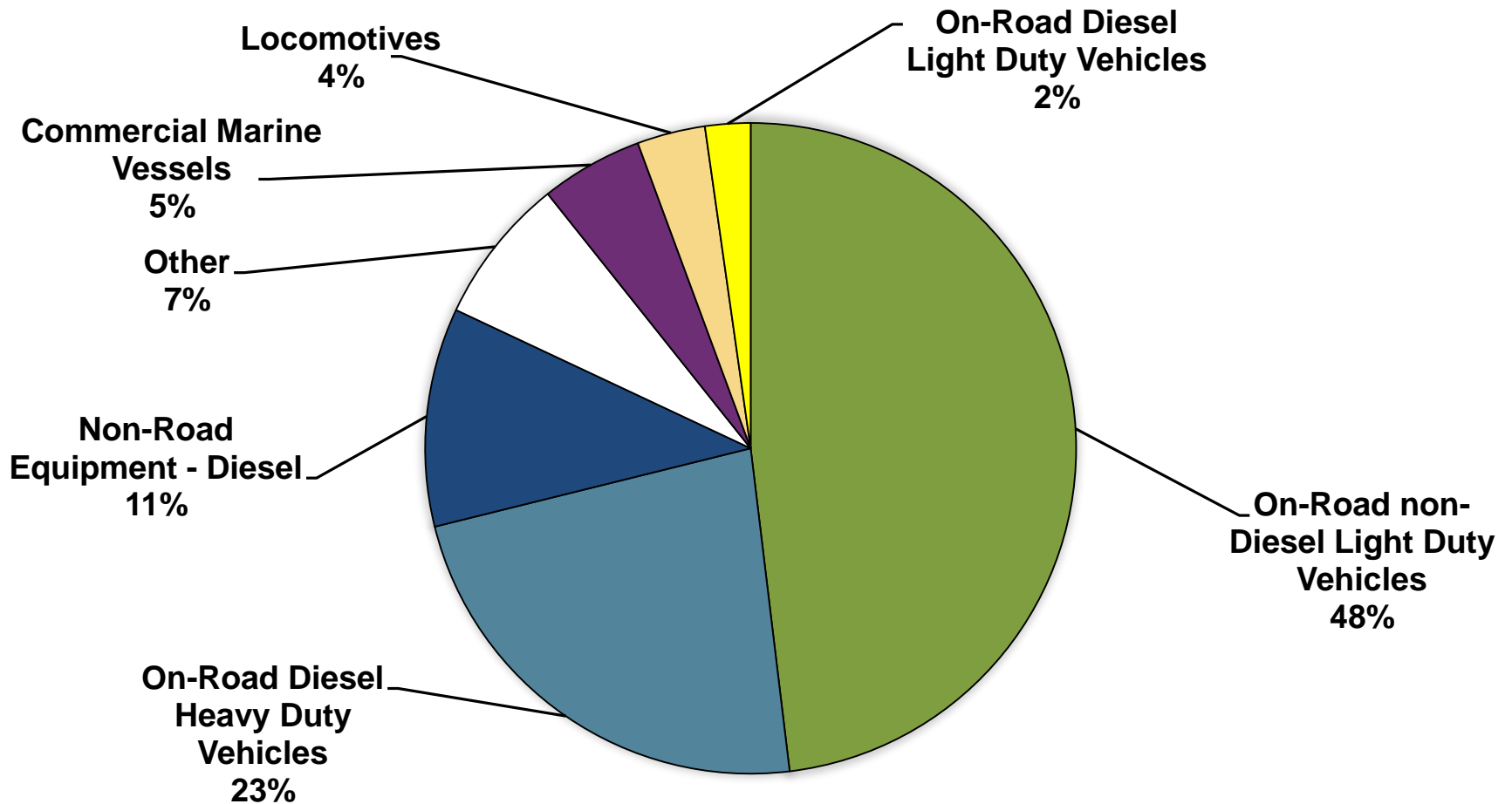
Draft VW Mitigation Plan

- **Purpose of this presentation:**
 - Provide an overview of the main elements of DEQ's draft VW mitigation plan.
- **Keep in mind:**
 - **We want to hear from you!**
 - This is a proposal that we're taking comment on through May 3, 2018.
 - We invite written comments be sent to:
 - **daq_NCVWGrants@ncdenr.gov**
 - Staff will capture comments and questions from this meeting and give them equal consideration.

Draft VW Mitigation Plan

- **Early feedback gathered through a Request For Information (RFI) – November-December 2017**
- **Helped shape this proposal**
- **Key messages:**
 - **Invest in maximum allowable in light-duty Zero Emission Vehicle supply equipment/infrastructure.**
 - **Don't forget the rural counties.**
 - **Public sector needs are far greater than the resources available.**
 - **Interest in a broad range of alternative fuel types.**

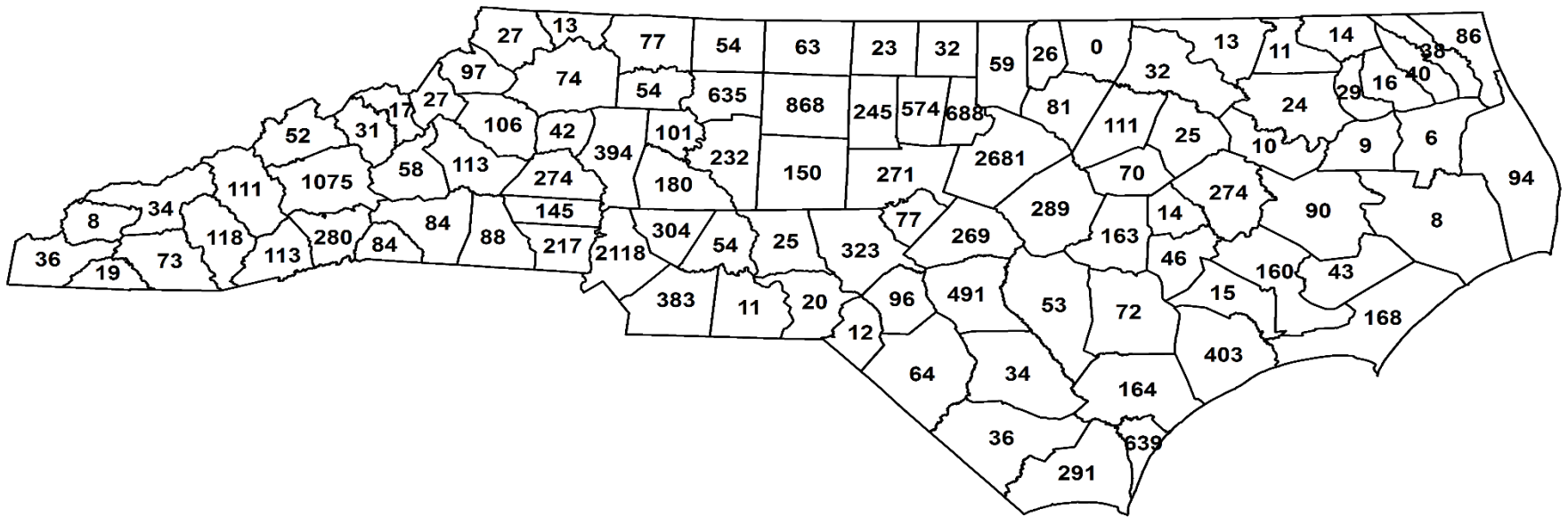
Mobile NOx Emissions in NC 2014



Mobile Sector NOx Emissions by Source

Mobile NOx Emissions Source	Eligible	Emissions (tons/year)	Percentage
Commercial Marine Vessels	Y	10,953	5.08%
Non-Road Equipment – Diesel	Y	23,439	10.86%
On-Road Diesel Light Duty Vehicles	Y	4,850	2.25%
On-Road Diesel Heavy Duty Vehicles	Y	49,716	23.04%
Locomotives	Y	7,304	3.39%
On-Road Non-Diesel Light Duty Vehicles	N	103,753	48.08%
Other			
On-Road Non-Diesel Heavy Duty Vehicles	N	981	0.45%
Aircraft	N	5,417	2.51%
Non-Road Equipment – Gasoline	N	6,846	3.17%
Non-Road Equipment – Other	N	2,514	1.17%

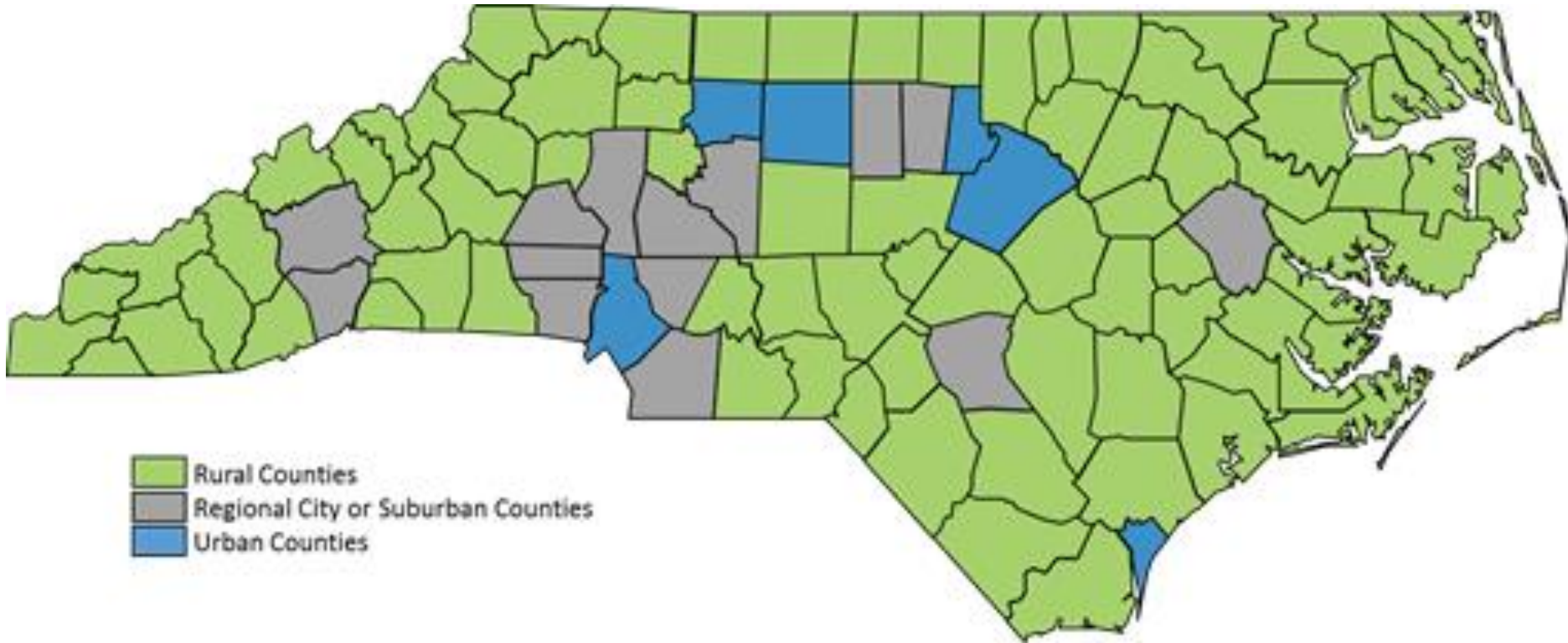
All VW Subject Diesel Vehicles



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NC County Classifications

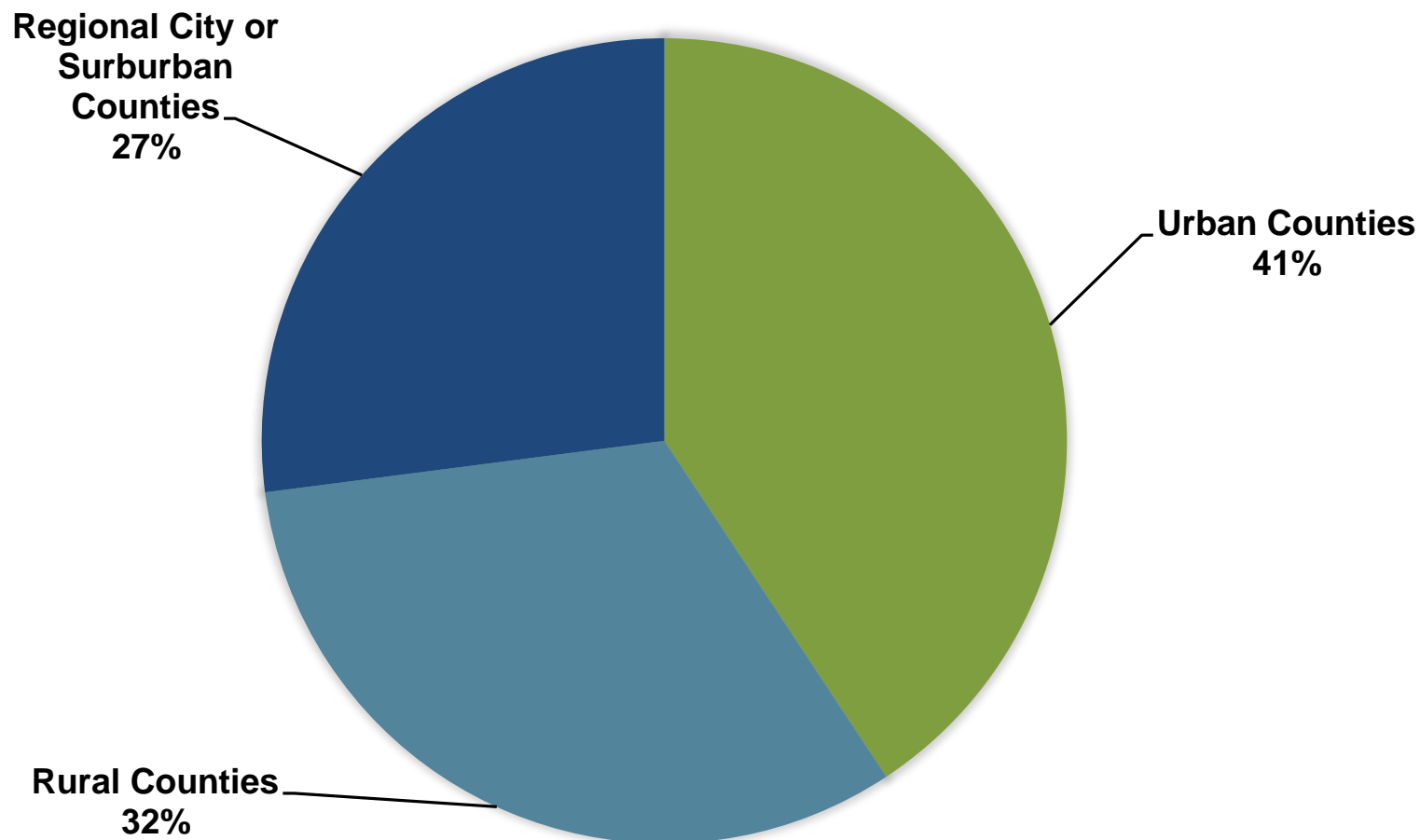


County classifications as defined by the N.C. Rural Center.

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Subject Vehicles by County Classification



Main Mitigation Plan Goals

- **Maximize the air quality benefits (VW dollar per ton NOx)**
- **Consider where the subject VW vehicles were located**
- **Use or build on existing processes and programs to select projects**
- **Consider environmental justice areas**
- **Award funds through a transparent public process**
- **Devote 15% of trust funds to light duty zero emission vehicle (ZEV) supply equipment**

Phased Plan Approach

The proposed three phases of funding are:

- **Phase 1: \$30.68 million – 2018 – 2020 – public-sector projects**
- **Phase 2: \$30.68 million – 2020 – 2022 – develop spending plan after public input**
- **Phase 3: \$30.68 million – 2022 – 2024 – remaining funds allocated**

Phase 1 (2018 – 2020)

NC Grant Programs (2018-2020)	Eligible Action Category	Eligible Fuels	2018-2020 Funding (Phase 1)	
			Targeted Percent*	Targeted Funding Amount
School bus replacement program	School buses	All (diesel, propane, natural gas, electric)	35%	\$10,738,660
Transit bus replacement program	Transit buses	All (diesel, propane, natural gas, electric)	20%	\$6,136,377
Clean heavy-duty on-road equipment program	Class Local Freight 4-8 trucks	All (diesel, propane, natural gas, electric)	10%	\$3,068,189
Clean heavy-duty off-road equipment program	Switcher locomotives, ferries, tugs, forklifts, port cargo handling equipment, ocean-going vessel shore power, Diesel Emission Reduction Act (DERA)	All (diesel, propane, natural gas, electric)	15%	\$4,602,283
ZEV infrastructure			15%	\$4,602,283
Administrative Costs			5%	\$1,534,094
	Total:			\$30,681,886

Example of Vehicle Costs

Category: School buses

Proposed Phase 1 Allocation (\$10,738,660)

Bus Type	Estimated Cost (per vehicle)	Number of Buses	Estimated Emission Reductions (per vehicle)	Estimated Total Cost	Estimated Emission Reductions (tons/year)
Diesel	\$95,000	77	NOx: 0.085 PM _{2.5} : 0.007	\$7,315,000	NOx: 6.6 PM _{2.5} : 0.53
Propane	\$90,000	16	NOx: 0.205 PM _{2.5} : 0.006	\$1,440,000	NOx: 3.3 PM _{2.5} : 0.09
All-electric	\$400,000	5	NOx: 0.357 PM _{2.5} : 0.011	\$2,000,000	NOx: 1.8 PM _{2.5} : 0.06
Total buses		98		\$10,755,000	

Note: The number of vehicles per fuel type is not binding and does not represent a proposal, but rather is used to be illustrative of the number of total vehicles that could be replaced for the proposed allocation in this category.



Funding Process

The DEQ may establish more than one process to fund projects. Funding processes may include:

- **Reimbursement**
- **Direct-to-vendor**
- **Forward funded projects**
- **Vouchers**

Environmental Justice

North Carolina has this goal for all communities and persons across the state. It will be achieved when everyone enjoys:

- **The same degree of protection from environmental and health hazards, and**
- **Equal access to the decision-making process to have a healthy environment in which to live, learn and work.**

Proposed Project Selection Criteria

The DEQ will consider factors such as, but not limited to:

- **Cost Effectiveness** (VW\$ funded per NOx tons reduced)
- **NO_x Emissions Reductions**
- **Location of project**
- **Co-Benefits**
- **Sustainability of the Project**
- **Timeliness**
- **Useful life of vehicle replaced**
- **Other Selection Criteria**

Comment Submission / More Information

The DEQ will accept comments on the draft mitigation plan through **May 3, 2018**. Comments may be emailed to:

daq_NCVWGrants@ncdenr.gov

For additional information regarding the VW Settlement, please visit our webpage.

<https://deq.nc.gov/about/divisions/air-quality/motor-vehicles-and-air-quality/volkswagen-settlement>

or

ncair.org ...and click on Volkswagen Settlement

Informational Meeting Locations and Dates

- **7-9 p.m. Monday, March 26: Land of Sky Regional Council, 339 New Leicester Hwy., Asheville**
- **3-5 p.m. Tuesday, March 27: Kannapolis Train Station, Multipurpose Room, 201 S. Main St., Kannapolis**
- **5-7 p.m. Monday, April 16: Lenoir Community College, Bullock Building, Room 150, Kinston**
- **1-3 p.m. Tuesday, April 17: Triangle J Council of Governments, 4307 Emperor Blvd., Suite 110, Durham**
- **9-11 a.m. Friday, April 20: Cape Fear Community College, Union Station, Room 512, 502 N. Front St., Wilmington**



Next Steps

- **Plan submission to trustee (Summer 2018)**
- **Release request for proposals (Fall 2018)**
- **Proposal evaluations (Winter/Spring 2018-2019)**
- **Phase 1 project awards (Spring 2019)**
- **Phase 2 planning (Fall 2019/Winter 2020)**

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Thank You!

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<https://deq.nc.gov/about/divisions/air-quality/motor-vehicles-and-air-quality/volkswagen-settlement>

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Questions

