

# North Carolina Volkswagen Settlement Plan

## Executive Summary

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### Settlement Background

Governor Roy Cooper has designated the N.C. Department of Environmental Quality (DEQ) to manage North Carolina's share of the VW Settlement, an agreement between the German automaker and the U.S. Department of Justice on behalf of the U.S. Environmental Protection Agency (EPA).

As part of a settlement agreement with the U.S. Department of Justice, Volkswagen Group of America, Inc. (VW) accepted the \$14.9 billion penalty after acknowledging that it installed devices on certain diesel vehicles to make them appear to meet strict emissions standards when in fact they did not. The money will be used to buy back affected vehicles as well as fund environmental mitigation and investment to promote the use of zero-emission vehicles (ZEV) and infrastructure.

North Carolina will receive approximately \$92 million, based on the number of affected 2.0-liter and 3.0-liter diesel engine vehicles registered here. The sum is part of the \$2.9 billion designated for projects established through the VW's Environmental Mitigation Trust.

The purpose of the mitigation projects is to reduce NOx emissions from eligible diesel vehicles. States can develop programs and fund projects that make the most sense for them, within the boundaries set by the settlement. Those boundaries involve replacing older diesel vehicles or equipment with new models that emit far less pollution. The replacements can use any fuel, including diesel, electricity, natural gas and propane. Eligible replacements under the settlement are:

- Heavy-duty and medium-duty trucks
- School, transit and shuttle buses
- Switcher locomotives
- Ferry, tug and tow boats
- Shore power for ocean-going vessels
- Airport ground support equipment
- Forklifts and port cargo-handling equipment
- Diesel Emission Reduction Act eligible vehicles and equipment

Additionally, North Carolina is committed to using the maximum allowance of 15% of the state's mitigation funds for zero-emission vehicle infrastructure.

### North Carolina's Mitigation Plan

States must develop plans for using their settlement funds and submit them for approval to the Trustee managing the funds nationally. North Carolina's updated plan is the final phase of funding combining the previously proposed phases 2 and 3 into one final phase which includes for two programs (Diesel Bus & Vehicle Program and Zero Emission Electric Vehicle Infrastructure Program) for the duration allotted by the consent decree.

## **Plan goals**

DEQ solicited input from North Carolinians across the state on how the VW mitigation trust funds should be spent in Phase 2 and used the public feedback to set goals to guide the department on how to allocate the funds over the duration of the program. DEQ will use the funds to achieve significant emissions reductions. Based on the distribution of violating vehicles registered across the state, DEQ plans to allocate the funds between urban / suburban counties (68%) and rural counties (32%). DEQ will submit requests to the Trustee of the Environmental Mitigation Trust to use funds for eligible projects throughout the state that will reduce or eliminate emissions of NOx focusing on the most cost-effective projects, the quantity of NOx emission reductions and other factors.

## **Phased program approach**

DEQ planned a phased approach for North Carolina's \$92 million allocation and sought additional input and used lessons learned from Phase 1 to make changes to the plan for Phase 2. This plan addresses Phase 2 (2022 – 2024) only.

The proposed final phase of funding allots the remaining state allotment of funds in the amount of \$66.5 million for the time period of 2022 – 2024.

For Phase 2, eligible public projects include:

- projects submitted by local, state, and tribal government organizations,
- projects submitted by public or private nonprofit organizations,
- projects submitted by public-private partnerships where the lead applicant represents a public sector, public or private nonprofit entity, and
- both public and private sector projects will be eligible for the light-duty ZEV infrastructure program.

## **Phase 2 programs (2022 – 2024)**

During the final 2022 – 2024 period, DEQ will allocate (\$66.5 million) of North Carolina's remaining funding. The state's ability to fund projects in each category at the target levels will depend on the applications received. The exact percentages may shift with demand. It should be noted that nothing in the following table is binding, and the information is only intended to provide the public with a high-level vision for the use of the mitigation funds. If DEQ does not receive sufficient applications in a category, the department will shift funds between categories in Phase 2 or return funds to the trustee for use in a supplemental funding phase.

**Summary of Programs, Phase 2 (2022 – 2024)**

NC Grant Programs (2022 – 2024)	Subprogram	Eligible Action Category		Eligible Fuels	2022 – 2024 Funding (Phase 2)	
					Targeted Percent*	Targeted Funding Amount
<b>Diesel Bus &amp; Vehicle Replacement Program**</b>	<b>School Bus Replacement Program</b>	Class 4-8 school buses***		All (electric, diesel, propane, natural gas)  <i>Priority will be given to electric replacements</i>	40%	\$27,196,866
	<b>Transit Bus Replacement Program</b>	Class 4-8 transit and shuttle buses			20%	\$13,598,433
	<b>Clean Heavy-Duty Equipment &amp; Vehicle Replacement Program</b>	Class 4-8 equipment and vehicles such as local freight trucks, ferries, forklifts, and switcher locomotives			20%	\$12,918,511
		Diesel Emission Reduction Act (DERA) Program				\$679,922
<b>ZEV Infrastructure Program</b>	DC Fast Program	Public Access – Priority Corridors		Not Applicable	15%	\$4,997,424
		Public Access – Existing Site Upgrades			\$1,642,927	
	Level 2 Program	Public Access			\$1,070,877	
		Workplace			\$489,544	
		Multi-Unit Dwelling			\$489,544	
	State Government	Level 2 – Fleet, Workplace & State Attractions Charging			\$1,009,684	
<b>DEQ Administrative Costs</b>				Not Applicable	5%	\$3,399,608
					<b>Total:</b>	<b>\$66,593,340</b>

\*Percentage of available settlement funds targeted in these eligible categories for 2022 – 2024.

\*\* DEQ is developing an outreach program to help counties that historically do not have the resources to effectively identify eligible vehicles and ZEV infrastructure opportunities for grant programs and submit quality applications (see Appendix E). Applications from these counties may also receive scoring bonuses.

\*\*\*DEQ is prioritizing electrification with the goal of awarding at least 50% to electric school bus replacements.

## Public Involvement

The Department of Environmental Quality is committed to using the VW settlement funds in ways that reflect the input and interests of stakeholders throughout North Carolina. DEQ had an open and transparent process that includes the input of a wide range of citizens. DEQ kept interested parties up to date with informational email bulletins and released a draft of the state plan to give North Carolinians the opportunity to provide input. We received 301 comments which helped shape the final plan for Phase 2 and may influence our development of the request for proposals for Phase 2. DEQ will also provide stakeholders opportunities to provide input throughout the settlement program. Information on future comment submissions and the summaries of responses the DEQ has received so far are located on our VW settlement website: <https://deq.nc.gov/VWsettlement>.

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