



**Volkswagen Settlement Draft Phase 2 Mitigation Plan**  
**Steve Hall and Brian Phillips, NC DEQ, Division of Air Quality**  
**July 2021**



# Housekeeping

- **Attendees will be muted during the presentation.**
- **Questions can be submitted in the Q&A box in WebEx and will be addressed at the end of the presentation.**
- **For call-in participants, pressing \*3 will raise and lower your hand. The WebEx host will unmute participants with raised hands.**
- **This webinar will be recorded and made available on our web page at <https://deq.nc.gov/vw-settlement>.**

# VW Settlement Mitigation Plan for North Carolina

- **Purpose of today's presentation:**
  - **Provide an overview of the VW Settlement Program and awards in Phase 1.**
  - **Provide an overview of the main elements of DEQ's draft VW Phase 2 Mitigation Plan, which is available at <https://deq.nc.gov/vw-settlement>.**
- **Keep in mind:**
  - **We want to hear from you!**
  - **This is a proposal that we are taking comment on until September 7, 2021.**
  - **Comments may be submitted:**
    - **Via Microsoft Forms: <https://bit.ly/3jMMu3i> or**
    - **Via our comment phone line 919-707-8429**
- **Staff will capture and considers all comments and questions from this meeting.**

## What did VW do?

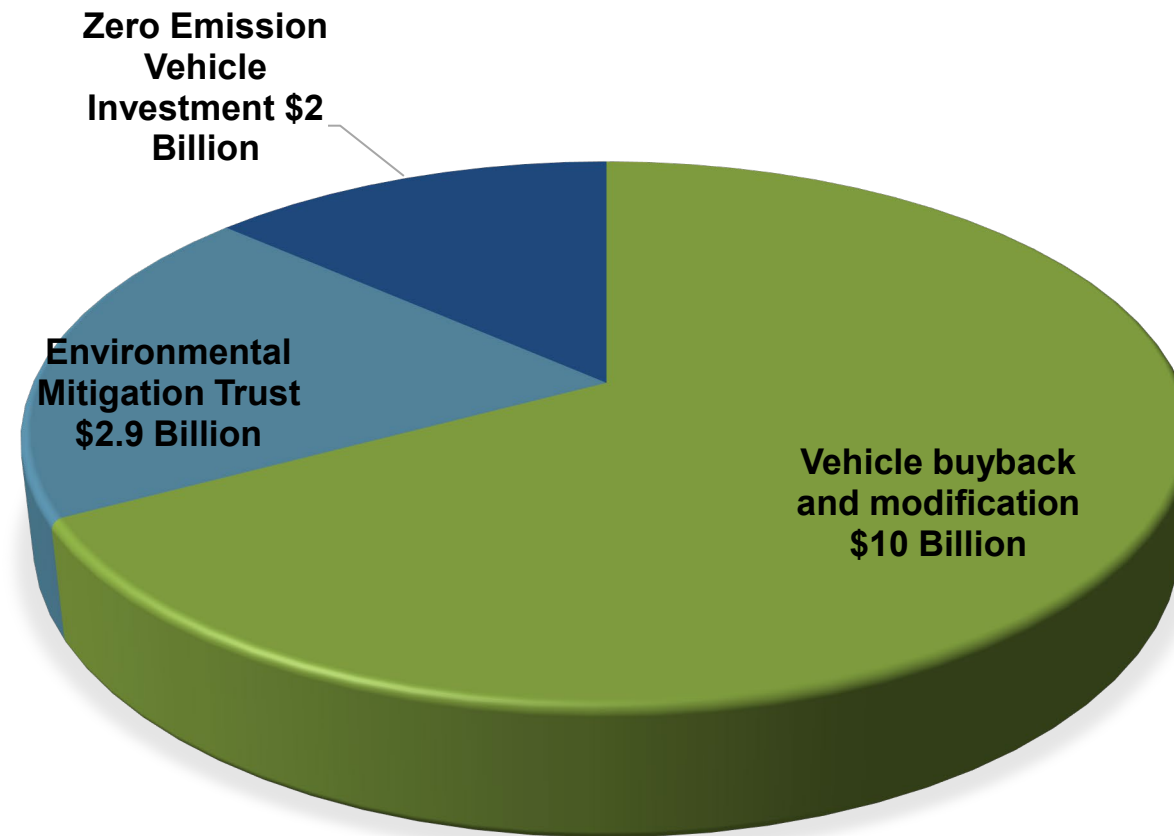
- **2015 – U.S. EPA cited Volkswagen Group of America, Inc. (VW) with Clean Air Act violations.**
  - **Manufactured and installed defeat devices**
  - **Approximately 580,000 vehicles impacted nationally**
- **2016 – Settlement agreements of \$14.7 billion nationally were lodged by U.S. Department of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

# Volkswagen Mitigation Settlement Summary

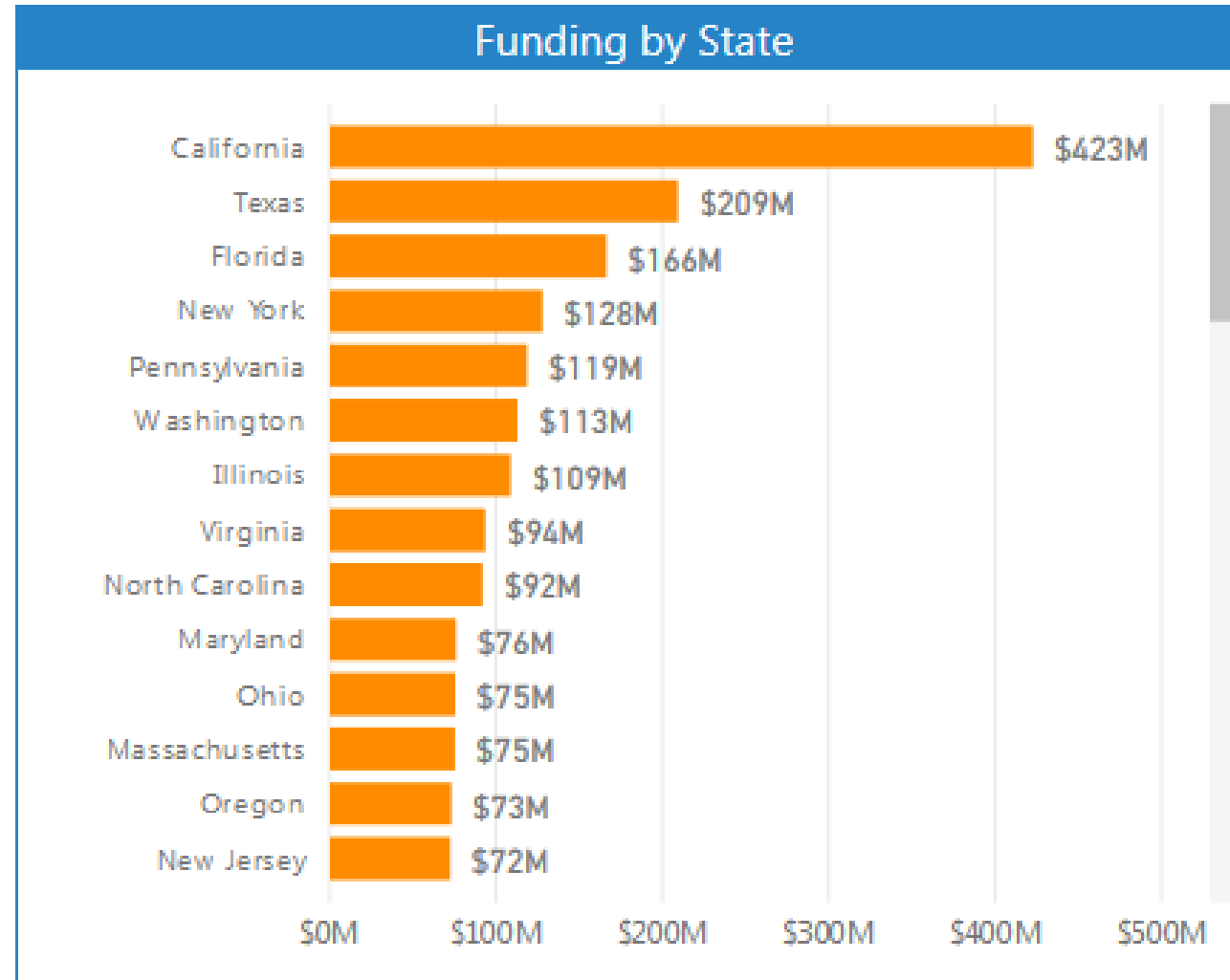
- **Three major components to the VW settlement:**
  - **Buyback or emissions modification on at least 85 percent of the subject vehicles (Appendices A & B)**
  - **Invest \$2 billion to promote the use of zero emission vehicles and infrastructure (Appendix C)**
  - **\$2.7 billion to fully remediate 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



# Appendix D – Mitigation Trust

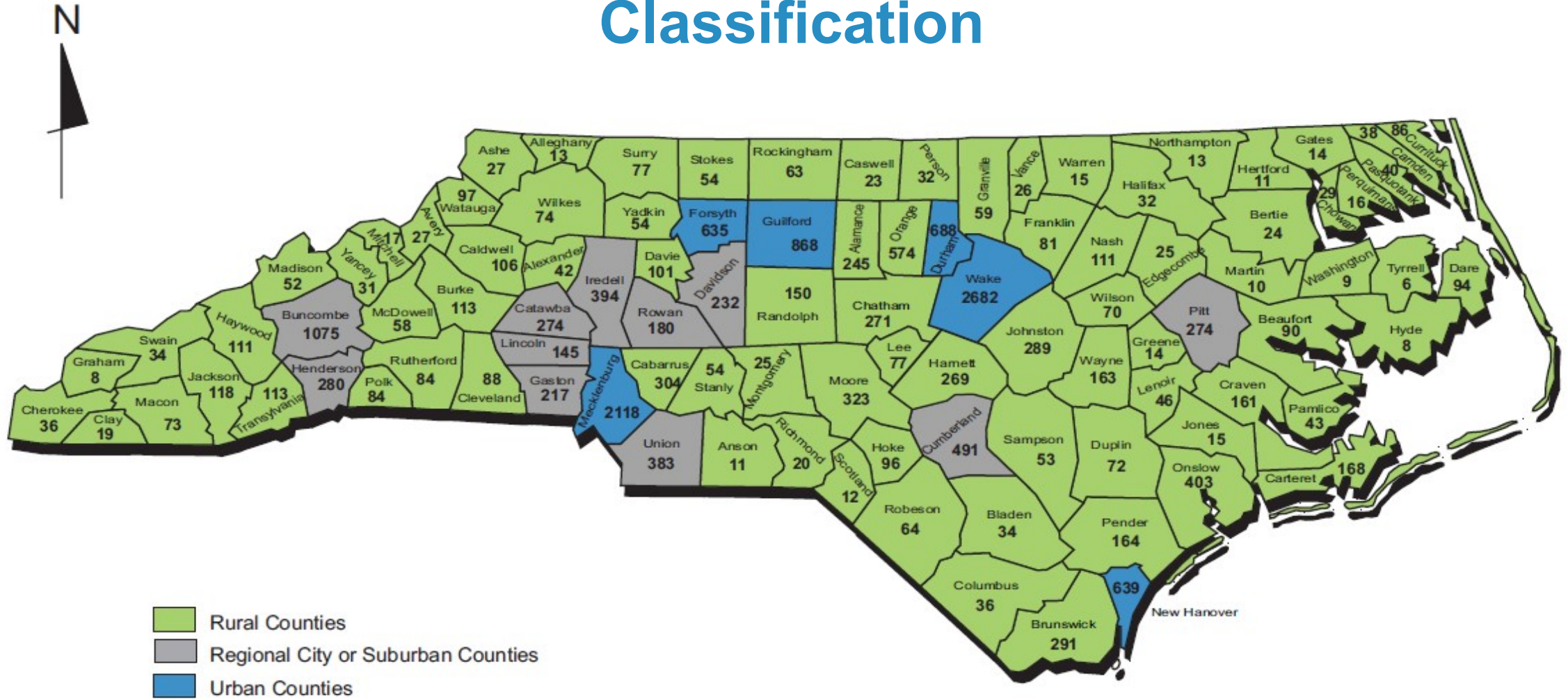


# Volkswagen Settlement Summary Appendix D – Mitigation Trust for NC

- 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.
- A total amount of **\$92,045,658.00** – 3.15% is allocated for North Carolina.

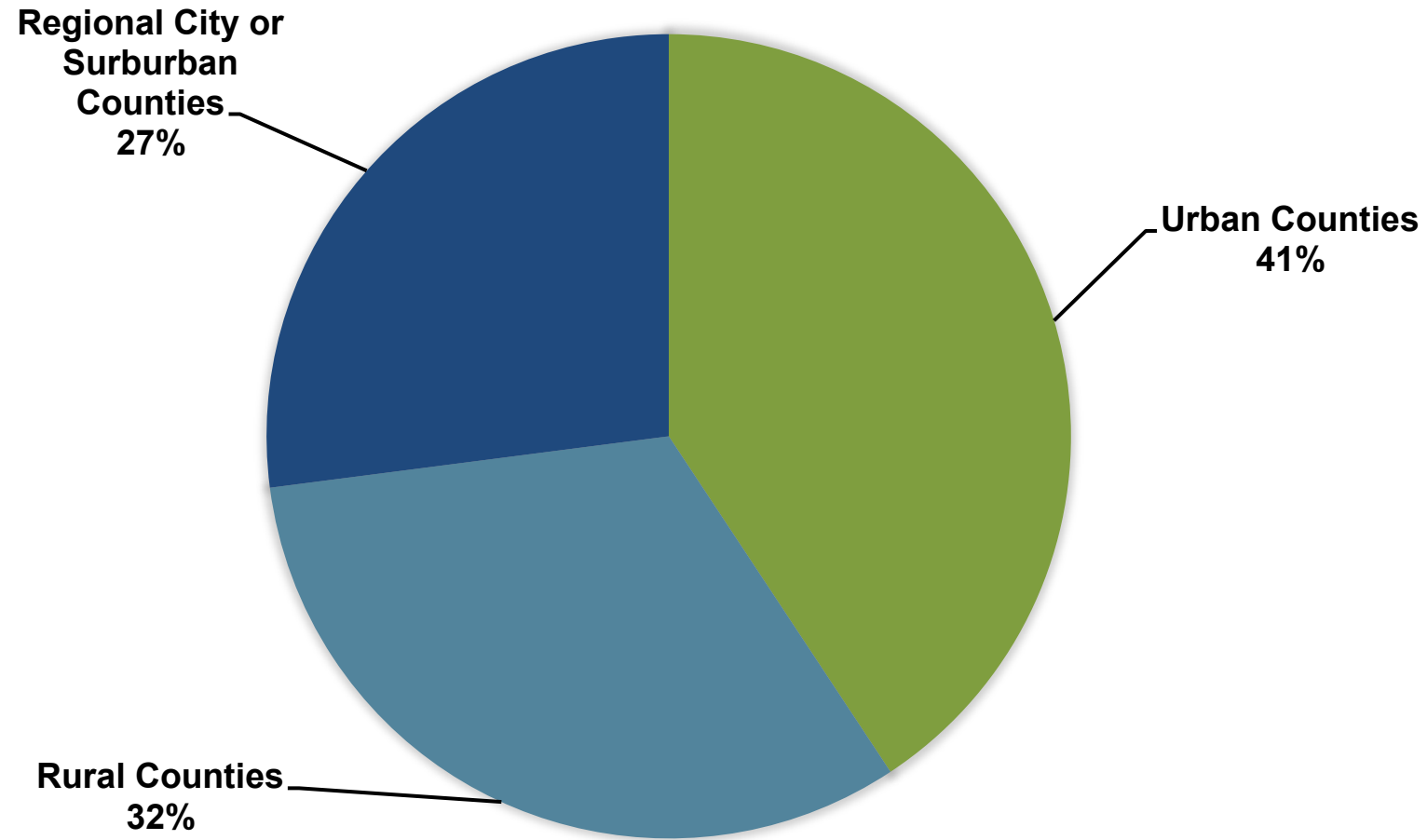


# All VW Subject Diesel Vehicles by County Classification



N.C. DEQ - DAQ  
Not To Scale  
June 09, 2021

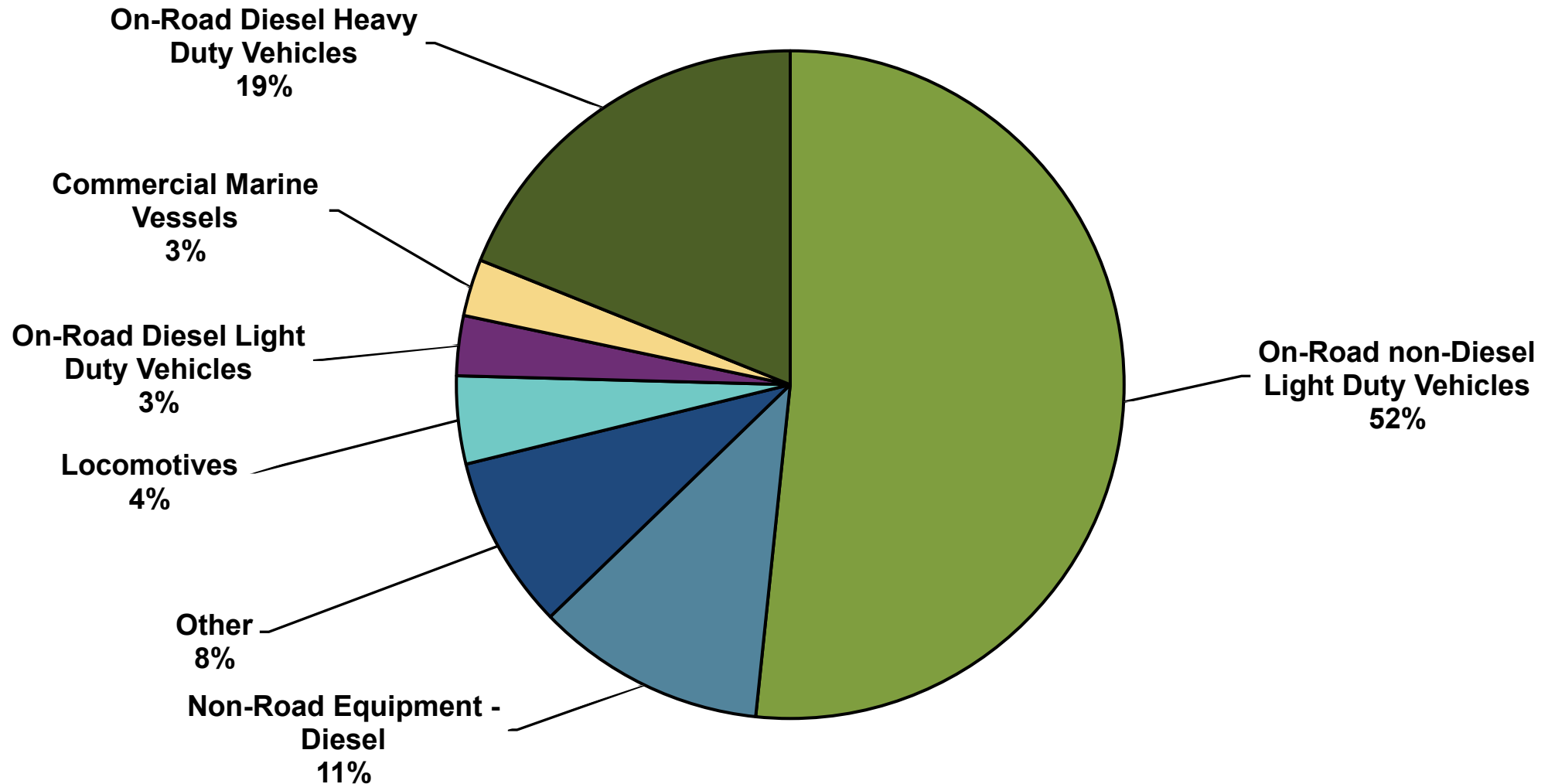
# Subject Vehicles by County Classification



## 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.”**
- **VW Trustee must approve the mitigation plan and the project expenditures.**

# Mobile NOx Emissions



# Mobile Sector NOx Emissions by Source

Mobile NOx Emissions Source	Eligible	Emissions (tons/year)	Percentage
Commercial Marine Vessels	Y	4,395	2.8%
Non-Road Equipment – Diesel	Y	17,476	11.1%
On-Road Diesel Heavy Duty Vehicles	Y	29,755	18.9%
Locomotives	Y	6,790	4.3%
On-Road Diesel Light Duty Vehicles	N	4,489	2.9%
<b>Diesel Equipment and Vehicle Emissions</b>		<b>62,905</b>	<b>40.0%</b>
On-Road Non-Diesel Light Duty Vehicles	N	81,276	51.6%
On-Road Non-Diesel Heavy Duty Vehicles	N	709	0.5%
Aircraft	N	4,290	2.7%
Non-Road Equipment – Gasoline	N	6,446	4.1%
Non-Road Equipment – Other	N	1,803	1.1%
<b>Non-Diesel Equipment and Vehicle Emissions</b>		<b>94,524</b>	<b>60.0%</b>

# Eligible Mitigation Projects

## Class 8 local freight trucks and port drayage trucks

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



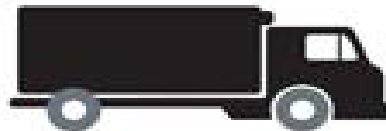
Fire Truck



Fuel



Heavy Semi Tractor



Refrigerated Van



Semi Sleeper



Tour Bus

# Eligible Mitigation Projects

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

**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 replacement include those with engine model years prior to 2009.**





# Eligible Mitigation Projects

## Class 4-7 local freight trucks (medium trucks)

**Replacement of Class 4-7 local freight trucks.**

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

### 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



Single Axle Van



Stake Body

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



Furniture



High Profile Semi



Home Fuel



Medium Semi Tractor



Refuse



Tow



# 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 (ZEV) supply equipment.**



# 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.**





# Eligible Mitigation Projects

## Freight switchers

**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.**





# 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.**



# Eligible Mitigation Projects

## Airport ground support equipment

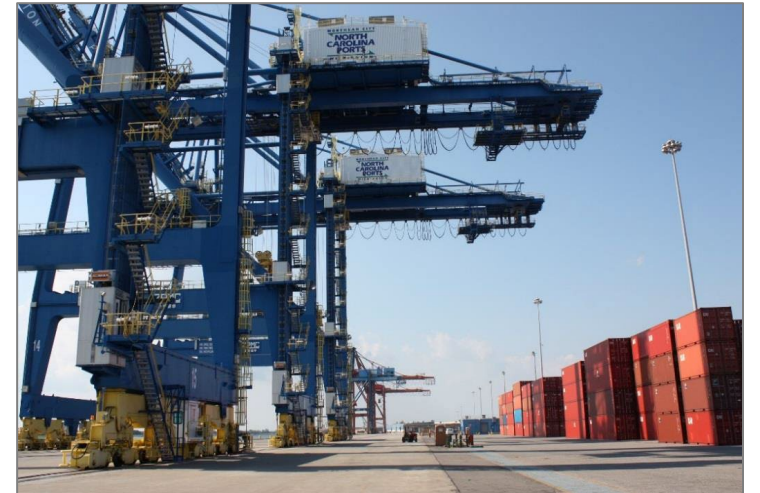
To focus on concentrated emissions reductions at airports, the mitigation trust is authorized to support fuel switching of diesel and gasoline airport ground support equipment. This type of equipment includes all vehicles and equipment used at airports to service aircraft between flights.



# Eligible Mitigation Projects

## Forklifts and port cargo handling equipment

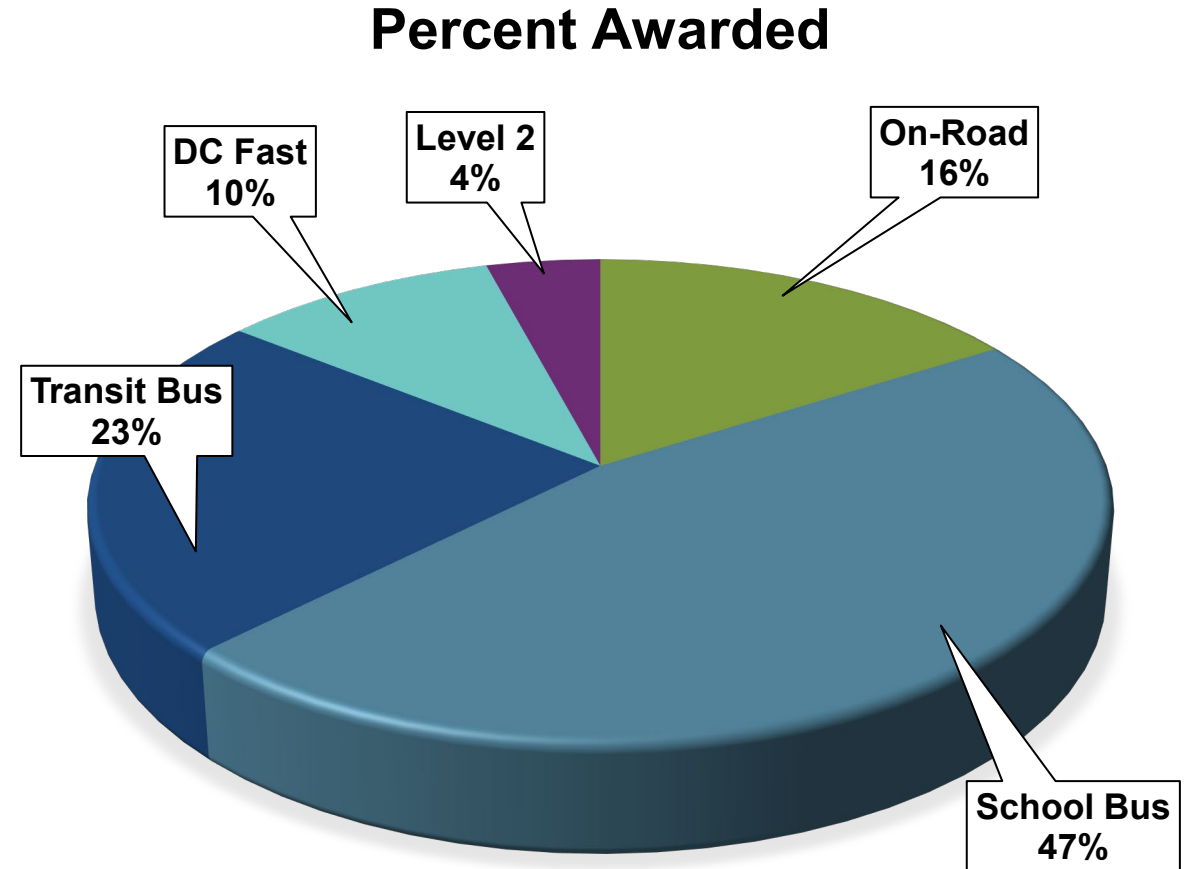
**Replacement of forklifts and port cargo handling equipment. Eligible replacement includes electric charging infrastructure (8,000 pounds lift capacity).**





# NC VW Phase 1 Awards

Program	Number of Vehicles/Stations Funded	Program Total Awarded
School Bus	111	\$12,289,900
Transit Bus	16	\$6,136,377
On-Road	45	\$4,240,409
DC Fast Infrastructure	27 sites	\$2,682,360
Level 2 Infrastructure	78 sites	\$1,098,534
Total	172 vehicles, 27 DC Fast and 78 Level 2 stations	\$26,447,580



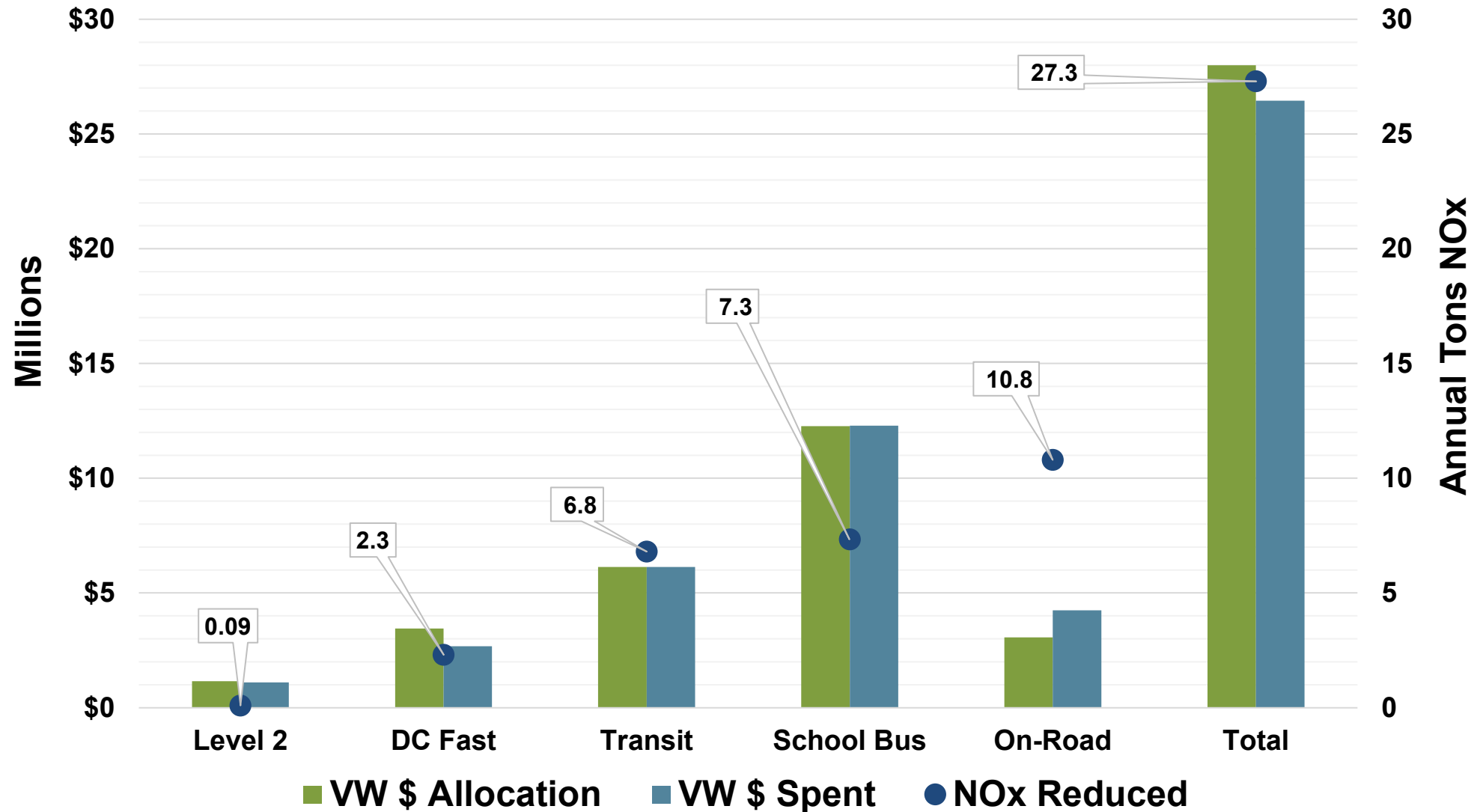


# Completed Phase 1 Projects



## VW Phase 1 Success Stories

# Program VW \$ Awarded and NOx Emissions Reductions



# VW Settlement Phase 2 Program Allocations

NC Grant Programs (2021-2024)	Subprogram	Eligible Action Category	Eligible Fuels	2021-2024 Funding (Phase 2)	
				Targeted Percent*	Targeted Funding Amount
Diesel Bus & Vehicle Replacement Program	School Bus Replacement Program	School buses	All (electric, diesel, propane, natural gas)  <i>Priority will be given to electric replacements</i>	40%	\$27,182,831
	Transit Bus Replacement Program	Transit buses		20%	\$13,591,415
	Clean Heavy-Duty Equipment & Vehicle Program	Class 4-8 equipment and vehicles such as local freight trucks, ferries, forklifts, and switcher locomotives		20%	\$12,911,845
		DERA Program			\$357,163
ZEV infrastructure	DC Fast Program	Public Access	Not Applicable	15%	\$7,135,493
	Level 2 Program	Public Access			\$1,070,324
		Workplace			\$489,291
		Multi-Unit Dwellings			\$489,291
		State Government			\$1,009,068
Administrative Costs				5%	\$3,397,661
		Total:			\$67,634,382

# Main Mitigation Plan Goals

- **Maximize the air quality benefits in North Carolina.**
- **Consider where the subject VW vehicles were located.**
- **Improve on existing processes and programs to select projects.**
- **Consider environmental justice areas.**
- **Provide more outreach to counties that are under-resourced.**
- **Award funds through a transparent public process.**
- **Devote 15% of trust funds to light duty zero emission vehicle (ZEV) supply equipment.**

# Draft Phase 2 Mitigation Plan

- **Phase 2 Priorities:**
  - **Heavy-duty vehicle electrification**
  - **Continue to invest in full 15% for EV charging infrastructure**
  - **Provide outreach to Historically Under-Resourced Counties**
  - **Continue to fund projects in rural counties**
  - **Continue to focus on public sector, where needs are far greater than the resources available**

# Eligible Phase 2 Applicants

**Eligible 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 or public/private nonprofit entity**
- **Both public and private applicants will be eligible for the light-duty ZEV infrastructure programs**

# Funding Process

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

- **Reimbursement**
- **Forward funded projects**
- **Rebates or Vouchers**



# Environmental Justice

**Environmental justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income, with respect to the development, implementation, and enforcement of environmental laws, regulations and policies.**

**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.**



# Historically Under-Resourced County Outreach Program

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

# Historically Under - Resourced County Outreach Program Map



# Proposed Project Selection Criteria

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

- **Cost Effectiveness** (VW \$ funded per NO<sub>x</sub> tons reduced)
- **NO<sub>x</sub> Emissions Reductions**
- **Environmental Justice**
- **Location of project**
- **Co-Benefits** (SO<sub>x</sub>, PM<sub>2.5</sub>, VOC, GHG and CO)
- **Sustainability of the Project**
- **Timeliness**
- **Useful life of vehicle replaced**

# Comment Submission / More Information

**The DEQ will accept comments on the draft mitigation plan through September 7, 2021.**

**Comments may be submitted:**

- **Via Microsoft Forms: <https://bit.ly/3jMMu3i> or**
- **Via our comment phone line 919-707-8429**

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

**<https://deq.nc.gov/VWsettlement>**

**or**

**[ncair.org](https://ncair.org) ...and click on “Volkswagen Settlement”**

# Informational Meeting Locations and Dates

- **10-12 a.m. Wednesday, July 14**: Virtual Watch Party: Land of Sky Regional Council, 339 New Leicester Hwy., Asheville
- **2-4 p.m. Wednesday, July 14**: Virtual Watch Party: Centralina/Triad Region – Centralina Office and DEQ Winston Salem Regional Office
- **10 a.m. - 12 p.m. Wednesday, July 21** : Virtual Watch Party: NCSU Clean Technology Center, 1575 Varsity Drive, Raleigh
- **2 p.m. - 4 p.m. Wednesday, July 21**: Virtual Watch Party: Northeast Branch Library –Pine Room (Wilmington)

# Historically Under-Resourced County Outreach Program Informational Meeting Locations and Dates

**We would appreciate your input for potential meeting locations to occur in August.**

## Next Steps

- **Plan submission to trustee (Fall 2021)**
- **Release request for proposals (Winter 2021)**
- **Proposal evaluations (Winter/Spring 2021-2022)**
- **Phase 2 project awards (Spring 2022)**



## General VW Contacts

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**Clean Heavy-Duty Diesel Program – Jill  
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**Thank you!**

## **The NC VW Team**

**<https://deq.nc.gov/VWsettlement>**

**or**

**[ncair.org](https://ncair.org) ...and click on “Volkswagen Settlement”**

## Subscribe to our VW Email List!

**If you are not currently on our mailing list and would like to receive email updates about the Volkswagen Settlement Program, please send an email with the word “Subscribe” in the subject line to [daq.NC\\_VWGrants@ncdenr.gov](mailto:daq.NC_VWGrants@ncdenr.gov).**

# Questions

