

DEPARTMENT: POLLUTION CONTROL AGENCY

STATE OF MINNESOTA
Office Memorandum

DATE: October 10, 2017

TO: MPCA Advisory Committee Members

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MEETING
DATE: October 17, 2017SUBJECT: Volkswagen Settlement**I. Status**

The Volkswagen (VW) Settlement was approved in federal court in California on October 25, 2016. VW is required to pay \$2.9 billion into an environmental mitigation trust fund to be shared among the states. A Trustee has been selected to manage the fund. The Trust Effective Date for the fund was established as October 2, 2017. States now have 60 days from October 2 to apply to be beneficiaries of the fund.

II. Background

Volkswagen has agreed to settle allegations that it violated the federal Clean Air Act by selling vehicles that emit air pollution over the legal limit, and by cheating on federal emission tests to hide the excess pollution. The affected vehicles exceed federal emission limits for nitrogen oxide (NOx), a pollutant that harms public health and contributes to ozone or smog formation.

As part of the settlement, states are eligible to receive funds to pay part of the cost of projects to reduce diesel emissions from vehicles and to install electric vehicle infrastructure.

VW is required to pay \$2.9 billion into an environmental mitigation trust fund to be shared among the states. Minnesota expects to receive \$47 million from the trust between 2017 and 2027. The money will be used to offset the excess air pollution caused by VW's actions.

Separate parts of the settlement would require Volkswagen to spend \$10 billion to buy back affected vehicles, terminate leases early, or repair the vehicles. Additionally, Volkswagen is required to invest \$2 billion over 10 years in zero emissions vehicle infrastructure, access, and awareness-building for Zero Emission Vehicles. VW, the U.S. Environmental Protection Agency (EPA), and California will administer these parts of the settlement.

States must submit a Beneficiary Mitigation Plan before selecting emission reduction projects. This is a high-level, summary description of general activities states plan to fund.

The plan must describe the state's overall goals for the funds, the types of projects the state plans to fund, expected emissions reductions from those projects, and how the projects will advance environmental justice. The MPCA is currently seeking input on what Minnesota's priorities are so that those priorities can be reflected in the plan. Once the MPCA has a draft plan, we will provide it to the public for additional comment and input.

The Trustee who is managing the VW funds for the country must review and approve the Beneficiary Mitigation Plan. After the draft plan is reviewed by the public, the MPCA will submit it to the Trustee for review and approval. Once the Trustee approves the plan, the MPCA can begin developing requests for proposals (RFP) to fund projects. The RFPs will be shaped by the priorities outlined in the plan. People who have projects that they wish to have funded will need to apply for funding during the request for proposals process.

The MPCA has held public meetings around the state to provide information about the settlement and to seek input on how best to use the funds. In addition, the MPCA has held five technical stakeholder meetings to develop data about possible candidate projects, costs and benefits, and to seek additional advice about how to use the funds. Feedback from these meetings can be found on the MPCA website at: <https://www.pca.state.mn.us/air/volkswagen-settlement-what-weve-heard>

Staff are now considering the comments and advice of citizens and stakeholders and will begin drafting a Beneficiary Mitigation Plan. The MPCA intends to release a draft plan and begin another round of input.

At the Advisory Committee Meeting on October 17, staff will present more information about the VW violations and more details about the settlement. In addition, staff will summarize the input process to date and will discuss the comments received and issues that have been raised.

More information about the VW Settlement can be found on the MPCA's VW Settlement web page. <https://www.pca.state.mn.us/air/volkswagen-settlement>

III. Issues/Questions for the Advisory Committee

- A. What should be the MPCA's priorities in developing a Beneficiary Mitigation Plan?
- B. What would be the best way or ways to address Air Quality disparities in overburdened communities?
- C. How should alternative fuels be treated (electricity, propane, and natural gas?)
- D. Should MPCA use part of the settlement for electric vehicle infrastructure?