VW Settlement: Background

- In 2016 U.S. EPA filed a complaint that Volkswagen violated the Clean Air Act
- VW sold ~580,000 model year 2009 to 2015 light duty diesel vehicles with “defeat devices” installed
- Resulted in vehicles with higher NOx emissions than permitted
- VW agreed to a series of partial consent decrees and will pay $14.7 billion to mitigate to compensate consumers and mitigate resulting environmental damage
- $2.7 billion is available to states for mitigation as the Volkswagen Environmental Mitigation Trust
VW Settlement: Background

- Settlement funds will be used to buy back and/or modify vehicles, and to support national- and state-level projects to reduce NOx emissions.

- Zero Emission Vehicle Investment (National and California Investment Plan)
- Environmental Mitigation Trust (allocations to states and tribes)
- Vehicle Buyback and modification (for consumers)
VW Settlement: TCEQ Role

- Each state and tribe must appoint beneficiaries.
- Each beneficiary must create a Beneficiary Mitigation Plan that:
  - Defines the overall goal for use of funds
  - Sets categories of mitigation actions that sill be appropriate to meet goals
  - Describes the expected beneficial impact of the funds along with an estimated range of emission benefits for these actions
- State beneficiaries need to be proactive in funding projects.
- 80% of a state’s funds must be spent within 10 years
**VW Settlement: Timeline**

- **Trust Effective Date (TED)**
  - October 2, 2017

- **TED + 60 Days**
  - December 1, 2017

- **TED + 12 Days**
  - January 30, 2018

- **30 Days Before First Funding Request**

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- Trust agreement documents approved by courts and VW Environmental Trust takes effect

- To be eligible for funding, states must designate a beneficiary organization and submit application to EPA -- **TCEQ was designated on December 1**

- Trustee must respond to applications and designate a beneficiary for each requestor

- All beneficiaries must develop and transmit a beneficiary mitigation plan to Trustee
Recommendations to TCEQ

- Pass Settlement funds to MPOs, COGs, and Clean Cities Coalitions to locally administer projects through third-party contracts
  - Regional knowledge and can help to maximize synergy

- Allow Settlement funds use for administrative and outreach activities
  - Can enable agencies to provide more meaningful support to grantees

- Allow all Settlement project types to be funded in Texas
  - Giving maximum flexibility and more chances to spend these funds will result in more emission reductions
Recommendations to TCEQ (cont.)

- **Focus Settlement funding within nonattainment and near-nonattainment areas**
  - Funding here can provide the most paths towards improving air quality

- **Allow local governments to receive 100 percent of funds without requiring cost share**
  - Hurricane Harvey rebuilding efforts have constrained local budgets.

- **Authorize grantees to replace vehicles destroyed in Harvey**
  - If a government vehicle was eligible for Settlement funds but was destroyed by Harvey, it should be eligible for replacement
TCEQ should consider participating in the EPA State Clean Diesel Grant Program

- By participating in this program it may be possible to use the Settlement to fund a wider array of projects
Questions?