Volkswagen Environmental Mitigation Trust for California

Update to the Board

Riverside, California | October 26, 2017
Overview

- Background
- Potential eligible mitigation action categories
- Process for Beneficiary Mitigation Plan approval and implementation
- Summary of early feedback
- Next steps
Background
CARB Heavy-Duty Funding Portfolio

**VW Mitigation Trust**
- NOx mitigation
- $423M for 2017+

**Low Carbon Transportation**
- GHG reductions
- $330M for FY 17-18

**Zero-Emission Warehouse Program**
- Criteria pollutant, toxics, and GHG reductions
- $50M for FY 17-18

**AQIP**
- Criteria pollutant and toxics reductions
- $28M for FY 17-18

**AB 617**
- Criteria and toxics reductions to support community action goals
- $250M for FY 17-18

**Carl Moyer**
- SIP emission reductions
- $69M for FY 17-18

**Prop 1B**
- PM and NOx reductions in goods movement corridors
- $267M for 2015+

**Funding for Agriculture**
- Criteria pollutant, toxics, and GHG reductions
- $135M for FY 17-18
Volkswagen (VW) Settlement

- 1st Partial Consent Decree (VW 2.0-liter diesel engines) approved October 2016; 2nd Consent Decree (VW 3.0-liter diesel engines) approved May 2017
- Applies to entire United States
- Consists of main body & Appendices A, B, C, and D
- Civil penalties addressed in 3rd consent decree
Consent Decree Appendices

- Appendices A and B
  - Applies to VW 2.0-liter and 3.0-liter subject vehicles already sold
  - Specifies buyback, lease termination, and potential vehicle modification terms

- Appendix C
  - Specifies VW’s ZEV Investment Commitment

- Appendix D – Today’s Topic
  - Specifies Mitigation Trust to address past and future excess emissions of Nitrogen Oxides (NOx)
Appendix D: Environmental Mitigation Trust

- ~$3 billion nationally; ~$423 million (~14%) for California to fund eligible NOx mitigation actions
  - Replace older heavy-duty vehicles and equipment in California with cleaner vehicles and equipment
  - Fund light-duty electric vehicle infrastructure (≤15%)
  - Option to provide matching funds for Diesel Emission Reduction Act (DERA) projects
How the Trust Works

1. Governor
   → Lead Agency

2. Lead Agency
   → Beneficiary Mitigation Plan
   → Funding Requests

3. Trustee
   → NOx Mitigation Actions
CARB Responsibilities

- Develop Beneficiary Mitigation Plan through a public process
- Manage all interactions with the Trustee
- Provide transparency and oversight
  - Publicly post approved funding requests
  - Conduct program reviews and fiscal audits
  - Report to the Trustee semi-annually
Beneficiary Mitigation Plan

- Summarizes how California plans to use its Trust mitigation allocation
  - Overall goal for the use of the funds
  - Categories of eligible mitigation actions to be funded and the corresponding allocations for each
  - Consideration of potential air quality benefits on areas disproportionately impacted by air pollution
  - Expected emission reductions
- May be updated as necessary
Legislative Direction: Senate Bill 92

- Passed in June 2017
- Directs the Lead Agency to strive to ensure that:
  - 35 percent of California’s allocation benefit low-income or disadvantaged communities
  - The expenditures align with the state’s priorities and provide for public transparency before approval
- Annual report to the Legislature
Potential Eligible Mitigation Action Categories
On-Road Trucks

- Class 4-8 freight and delivery (includes waste haulers, dump trucks, concrete mixers) and Class 8 drayage trucks
- Repowers and replacements
- Existing 1992-2012 truck and/or engine must be scrapped
Transit, Shuttle, and School Buses

- 1992-2012 engine model year
- Class 4-8 (GVWR > 14,000 lbs)
- Repowers and replacements
- Existing bus and/or engine must be scrapped
Freight Switcher Locomotives

- Pre-Tier 4 engines operating at least 1,000 hours/year
- Repowers and replacements
- Existing switcher and/or engine must be scrapped
Ferries and Tugs

- Pre-Tier 3 engines
- Repowers only
- Existing engine must be scrapped
Forklifts, Port Cargo Handling Equipment, and Airport Ground Support Equipment (GSE)

- Forklifts: >8,000 lb. lift capacity
- Port cargo handling equipment
- Pre-Tier 3 diesel GSE and uncertified or certified spark-ignition GSE ≥ 3.0 g/bhp-hr
- Repower or replacement to all-electric only
- Existing vehicle and/or engine must be scrapped
Ocean-Going Vessel Shorepower

- Systems that enable a compatible vessel’s main and auxiliary engines to remain off while the vessel is at berth
- Marine systems must comply with international shore power design standards and should be supplied with power sourced from the local utility grid
Light-Duty Electric Vehicle Supply Equipment (EVSE)

- Level 1, Level 2, or fast charging equipment located in a public place, workplace, or multi-unit dwelling
- Hydrogen dispensing equipment capable of dispensing hydrogen at a pressure of 70 megapascals (MPa) located in a public place
- Limited to no more than 15% of the State’s Trust allocation
Diesel Emission Reduction Act (DERA) Option

- Can fund additional categories as match funding for State DERA
- Limited funding (less than $500,000 annually)
- State DERA currently funds school bus projects
Process for Beneficiary Mitigation Plan Approval & Implementation
Process for Plan Approval

- Public input is critical
- Consult with State Legislature
- Develop guiding principles
  - Fully mitigate NOx impacts of the subject VW cars
  - Consistent with State priorities
- Consider input from other State agencies
- Present Beneficiary Mitigation Plan to the Board for approval (tentatively spring 2018)
Beneficiary Mitigation Plan
Public Process

- **Trust Effective Date**: Oct 9, 2017
- **Board Meeting: Update on Mitigation Trust**: Oct 26, 2017
- **Board Meeting: Consider Plan Approval**: May 2018

**Public Input – Comment Docket Open**
- **Public Workshop**: Oct 2, 2017
- **Public Workshops**: Jan-Feb 2018*
- **Submit Approved Plan to Trustee**: Apr 2018

* Estimated
Options for Plan Implementation

- Project administration approach can include:
  - competitive solicitations; or
  - first-come/first-served
- Consider third-party implementation
- Outreach to increase participation
- CARB must ensure reviews are
Summary of Early Feedback
Early Feedback

- October 9 public workshop and comment docket
  - About 100 attendees (plus webcast)
  - General consensus on maximizing benefits to low-income or disadvantaged communities
  - Wide variety of project categories suggested with varying implementation approaches
  - Support for zero-emission where feasible; near zero-emission everywhere else
Next Steps

- Continue to solicit comments and meet with stakeholders
- Develop and refine guiding principles and process, narrow project categories, and draft Plan
- Additional public workshops planned for early 2018
- Final proposal to the Board expected in spring 2018