

California's Proposed Beneficiary Mitigation Plan

**for the
Volkswagen Environmental Mitigation Trust**

Board Presentation

May 25, 2018



Overview

- Background
- Beneficiary Mitigation Plan Goals and Priorities
- CARB's Funding Portfolio to Balance Investments
- Staff's Proposal
- Conclusion and Recommendation

Background



Volkswagen (VW) Settlement

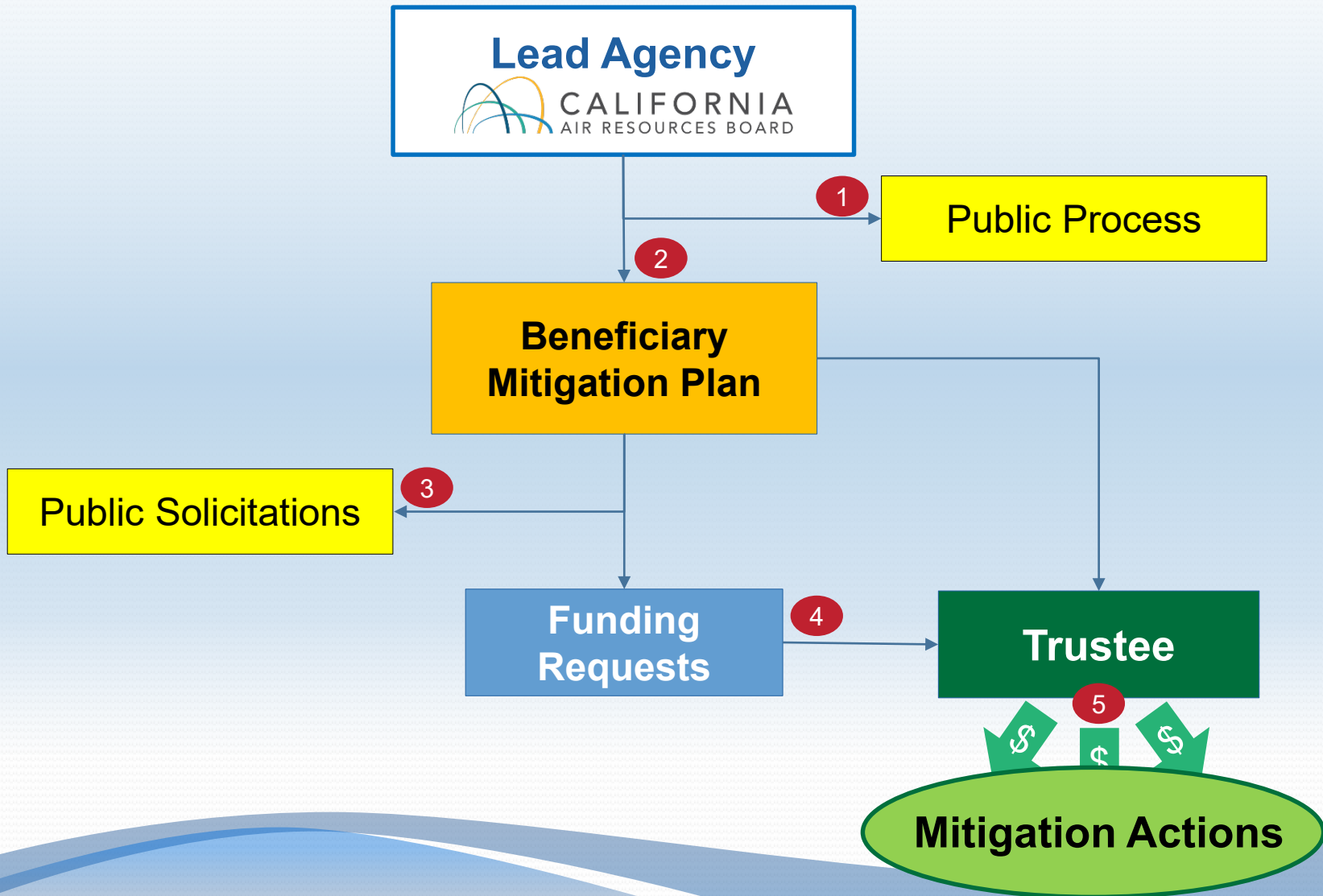
- Consent Decrees covering 2.0-liter and 3.0-liter VW diesel vehicles
- Consists of main body & 4 Appendices
 - Appendices A & B: Specifies buyback, lease termination, and potential vehicle modification terms
 - Appendix C: Specifies VW's ZEV Investment Commitment
 - ✓ ➤ **Appendix D: specifies \$2.7 billion (\$423M for California) Environmental Mitigation Trust to address past and future excess Nitrogen Oxides (NOx) emissions**
- Civil penalties addressed in 3rd consent decree



Consent Decree and Trust Agreement Requirements

- Specify the types of projects (eligible mitigation actions) that could be funded
 - Mostly scrap-and-replace projects for the heavy-duty sector
 - Maximum funding amounts based on project type, and vehicle or equipment ownership (public or private)
- Specify funding request process and requirements
- Specify auditing, reporting, and administrative cost requirements

How the VW Mitigation Trust Works



Public Process Helped Shape the Proposed Beneficiary Mitigation Plan

- 8 public meetings throughout California since Fall 2017
- Online comment docket (Sep 2017 – Apr 2018)
 - > 80 individual comment letters
 - > 4,000 comment emails
- Individual stakeholder meetings
- Legislative input: Senate Bill (SB) 92

Beneficiary Mitigation Plan Goals & Priorities



Mitigating NOx from Subject VW Vehicles

- NOx mitigation target: 10,000 tons
 - Target is conservative (includes a buffer to ensure the NOx emissions are fully mitigated)
 - Target used to inform funding proposal
 - Mitigation Plan accounts for uncertainties:
 - market demand
 - types of projects that could be funded
 - infrastructure needs

Policy and Statutory Drivers Influenced the Proposed Plan



SB 92 Provided Legislative Direction

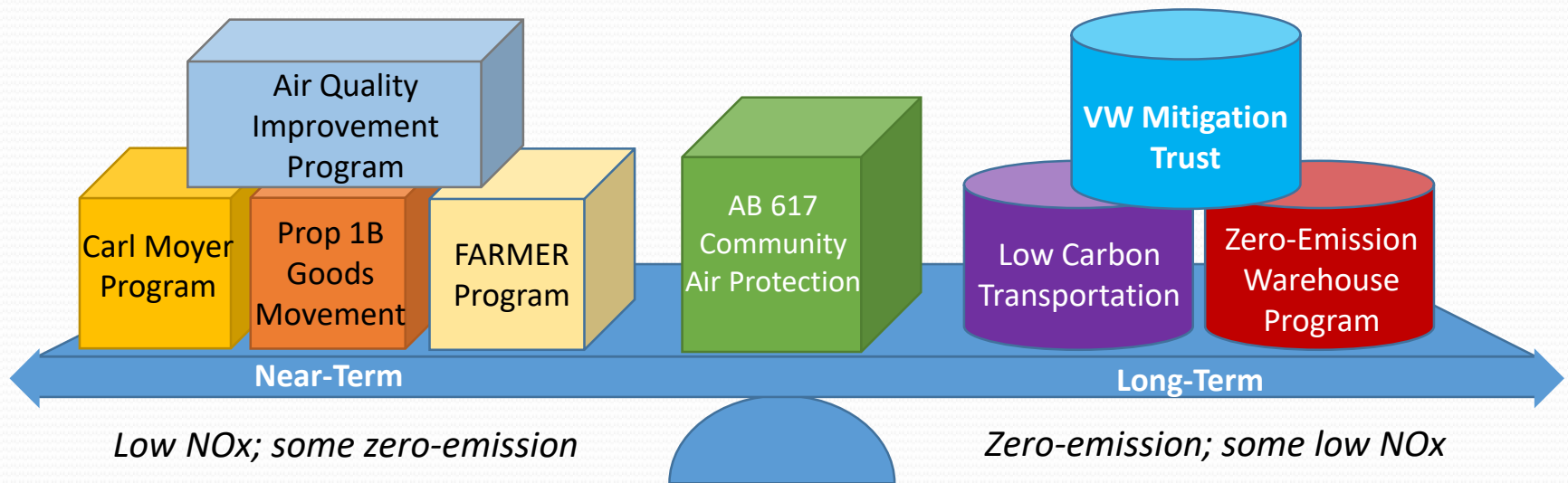
- Directs CARB to strive to ensure that:
 - 35 percent of California's allocation benefit low-income or disadvantaged communities
 - Expenditures align with state's priorities and provide for public transparency before approval
- Annual report to the Legislature



CARB's Funding Portfolio to Balance Investments



A Balanced Portfolio for Near-Term and Long-Term Goals



A Balanced Strategy for the Proposed Beneficiary Mitigation Plan

- Funding for low NOx combustion freight categories to ensure near-term NOx reductions
- Focused funding on zero-emission technologies to accelerate transformation and support long-term goals





Staff's Proposal



Guiding Principles

- Fully mitigate NOx and ensure at least 35% of funds benefit disadvantaged or low-income communities
- Align with State priorities
- Zero-emission where available; low NOx everywhere else
- Surplus to regulations and additional to other funding
- Investment across geographic regions statewide with transformation of heavy-duty sector
- Implement using known method of public process, competitive solicitations, and project management
- Ensure accountability and transparency

Beneficiary Mitigation Plan Funding Proposal

Project Category	Allocation* (millions)	Disadvantaged or Low-Income Community Benefit
Zero-Emission Transit, School, Shuttle Buses	\$130	50%
Zero-Emission Class 8 Freight and Port Drayage Trucks	\$90	50%
Zero-Emission Freight / Marine Projects	\$70	75%
Combustion Freight / Marine Projects	\$60	50%
Light-Duty ZEV Infrastructure	\$10	35%
Reserve (including admin costs)	\$63	
Total	\$423	> 50%

Zero-Emission Transit, School, and Shuttle Buses

Proposed Allocation: \$130 million

- Supports early adoption of Class 4-8 zero-emission technologies; reduces diesel's harmful impacts on children
- 2009 or older bus replacements
- At least 50% of allocation to benefit disadvantaged or low-income communities



Zero-Emission Class 8 Freight & Port Drayage Trucks

Proposed Allocation: \$90 million

- Focus on imminent deployment of zero-emission technologies for heavy heavy-duty trucks
- 1992-2012 model year replacements
- At least 50 percent of allocation to benefit disadvantaged or low-income communities



Zero-Emission Freight / Marine

Proposed Allocation: \$70 million

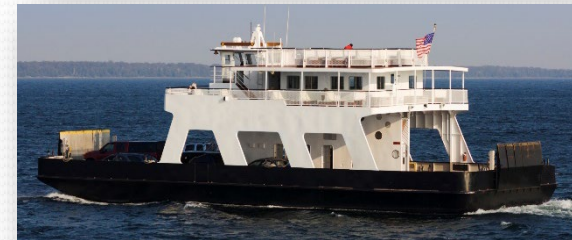
- Funds zero-emission freight or marine projects based on cost-effectiveness
 - Airport ground support equipment
 - Heavy-lift forklifts and port cargo handling equipment
 - Oceangoing vessel shorepower
 - Ferry, tugboat, and towboat repowers
- At least 75 percent of allocation to benefit disadvantaged or low-income communities



Combustion Freight / Marine

Proposed Allocation: \$60 million

- Funds low NOx or cleanest available combustion technologies based on cost-effectiveness
- At least 50 percent of allocation to benefit disadvantaged or low-income communities



Light-Duty ZEV Infrastructure

Proposed Allocation: \$10 million

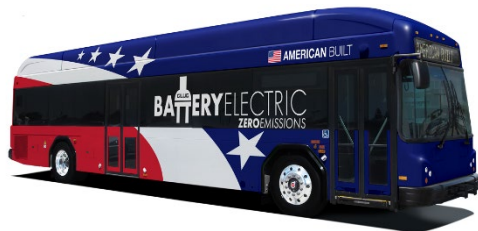
- Supports market adoption of zero-emission vehicles by enhancing infrastructure funding
- At least 35% of allocation to benefit disadvantaged or low-income communities



Expected Benefits, Project Administration, and Oversight

Expected Benefits

- > 10,000 tons of NOx reductions over 10 years
- Zero-emission and low NOx vehicle deployments
 - ~1,000 zero-emission trucks and buses
 - 400+ zero-emission or zero-emission enabling port equipment
 - 800+ low NOx or clean combustion trucks or equipment



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Project Administration

- Statewide implementation is essential
- Propose air district administration
 - One statewide administrator per category
- Project administrator responsibilities
 - Outreach
 - Develop solicitations
 - Process applications and issue payments
 - Audits and reporting

Monitoring Project Performance

- Develop metrics to evaluate effectiveness
- Make adjustments to installments to meet demand
- Assess potential for reallocation
 - Executive Officer may reallocate up to 20% of undersubscribed categories to oversubscribed ones
 - Must ensure NOx mitigation target will be met
 - Analyze alternate funding scenarios for emissions benefits and alignment with the guiding principles
- Updates to Beneficiary Mitigation Plan will be submitted to Trustee

Program Oversight & Reporting

- CARB will oversee projects
 - Direct project development
 - Submit funding requests to Trustee and make them publicly available on our website
 - Conduct program reviews and audits
- Report semi-annually to Trustee and annually to the State Legislature
- Annual progress reports to Board

Conclusion and Recommendation



State of California

Proposed Beneficiary Mitigation Plan

For the Volkswagen
Environmental Mitigation
Trust

April 20, 2018



Summary of Staff's Proposal

- Balances investment to fully mitigate NOx and support long-term goals
- Accelerates zero-emission vehicle deployments to transform the heavy-duty sector
- Provides benefits to disadvantaged and low-income communities

Recommendation

- Approve California's Proposed Beneficiary Mitigation Plan

