



STATE FUNDING PRIORITIES FOR THE VOLKSWAGEN ENVIRONMENTAL MITIGATION TRUST

by

Nick Nigro

Alexander Walsh

Atlas Public Policy

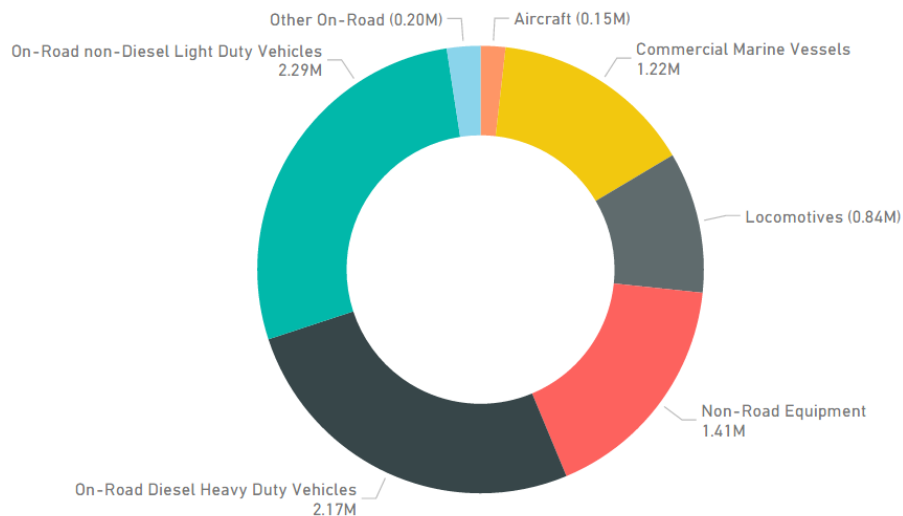
February 2017

OVERVIEW

States have a rare opportunity to make significant progress on reducing harmful nitrogen oxide (NO_x) emissions from mobile sources through the use of funds from the Volkswagen Settlement.¹ Though emissions sources vary by state, light-duty vehicles are the single largest mobile source of NO_x emissions in the United States (Figure 1).

Appendix D of the settlement established a \$2.7 billion Environmental Mitigation Trust allocated proportionally to each state and to be administered by a court-appointed Trustee. The Trust allows for a 15 percent allocation to fund light-duty zero emission vehicle infrastructure. States must submit Mitigation Plans to the Trustee in order to secure funding from the Trust within 90 days of being designated as a beneficiary.

FIGURE 1: U.S. NO_x EMISSIONS FROM MOBILE SOURCES IN 2014



Source: U.S. Environmental Protection Agency, "2014 National Emissions Inventory (NEI) Data," December 2016. [Online]. Available: <https://www.epa.gov/air-emissions-inventories/2014-national-emissions-inventory-nei-data>.

California's Unique Situation

Priorities for use of funds from the Environmental Mitigation Trust in California may differ from other states. Out of the \$2 billion Volkswagen must spend on zero emission technology as part of the ZEV Investment Commitment (Appendix C of the settlement), \$800 million must be spent in California.

¹ Details on the Volkswagen settlement are available at <http://www.cand.uscourts.gov/crb/vwmdl>.

ALLOCATE MAXIMUM ALLOWABLE FUNDING FOR LIGHT-DUTY EV INFRASTRUCTURE

The Volkswagen Environmental Mitigation Trust provides funding for environmental mitigation projects that reduce NO_x emissions. To effectively reduce NO_x emissions, each state's Mitigation Plan should explicitly allocate the maximum allowable 15 percent of funds from the Trust for light-duty zero emission vehicle charging infrastructure. Given near-term market conditions, plug-in electric vehicles (EVs) are the most suitable zero emission technology to target for infrastructure projects.

The ready availability of EV charging has been a key driver in leading EV markets nationwide and further investment in infrastructure can help EVs reach mainstream status in the near term. Automakers have invested billions in the technology and are bringing long range electric vehicles to the market now and over the next few years that are capable of accommodating the driving needs of most Americans. Electric vehicle charging service providers have raised tens of millions of dollars to deploy robust charging networks and electric utilities are building the next generation electrical grid, powered by low carbon sources.

More charging infrastructure is needed for EVs to compete with gasoline vehicles on a level playing field. Consumers must have access to charging that is sufficient to accommodate their everyday and occasional travel needs. By requesting the maximum funding for EV infrastructure, states will improve the economic return of current and future public investments in infrastructure while also reducing NO_x emissions significantly.

The following principles should guide project priorities:

- States should collaborate with automakers, electric utilities, charging service providers, and other EV stakeholders to develop secure, affordable, and accessible EV charging networks for entire communities.
- States should first consider funding DC fast charging projects of redundant stations at the following locations, in order of priority, to reduce range anxiety and enable travel access:
 - Along major highway corridors at intervals between 25 and 50 miles;
 - Near multi-family housing units where overnight EV charging access is unavailable; and
 - In urban areas in support of EV ride-hailing and car sharing.
- States should also consider funding Level 2 charging projects in order of priority: workplaces, multi-family housing units, long-dwell publicly accessible spaces (such as shopping centers and tourist destinations) and single-family residential homes.
- States should coordinate funding applications with existing EV and infrastructure programs within the state and with neighboring states in order to develop charging corridors that accommodate regional travel and support regional and local economic activity.
- States should coordinate the deployment of infrastructure funded through the Trust with Volkswagen's "Electrify America" initiative, which is the company's primary approach to meeting its national zero emission investment commitment.
- States should encourage data collection for infrastructure projects in a cost-effective way that can be made publicly available for continued state policy development and planning purposes.

ALLOCATE REMAINING FUNDING TO REDUCE VEHICLE EMISSIONS AND SUPPORT ELECTRIFICATION OF GOODS AND PEOPLE MOVEMENT

States should prioritize investments in eligible zero emission vehicles and associated infrastructure using the remaining 85 percent of funding that is not eligible for investments in light-duty EV infrastructure. Zero emission vehicles are a promising way to reduce local air pollutants and greenhouse gas emissions, especially where vehicles can be powered by electricity generated from low-emitting sources.

ZEV technology is rapidly developing and is available in a number of vehicle classes and types eligible for funding through the Trust, including buses, trucks, airport ground support equipment, and forklifts. States should prioritize funding electric vehicles for goods and people movement along with associated charging infrastructure. States should also pursue investment strategies that are complementary to investments in EV infrastructure made with the 15 percent allocation or otherwise. For example, some electric trucks support the SAE charging connector standards and these vehicles may be able to also use publicly available charging available for light-duty vehicles.

ABOUT THE EV INDUSTRY DIALOGUE

The EV Industry Dialogue brings together key private-sector stakeholders, including automakers, electric utilities, and charging service providers to identify and advocate for the priorities of the EV industry. Beginning in mid-2015, the group began developing a state-based strategy to identify the policy priorities of stakeholders in key state and local markets. Materials created out of the dialogue process aim to ensure that consistent messages about market opportunities and potential government actions are delivered to state and local decision-makers.

Atlas Public Policy convenes the group and creates all the materials it uses. This brief is a direct result of the ongoing collaboration of the companies who actively participate in the coordinated activities of the dialogue. Atlas Public Policy is solely responsible for the material in this document; dialogue participants do not explicitly endorse or otherwise support its contents.

More information is available at www.atlaspolicy.com.

PARTICIPANTS IN THE EV INDUSTRY DIALOGUE

- BMW North America
- California Electric Transportation Coalition
- EVgo
- General Motors
- Greenlots
- National Grid
- Southern Company

The EV Industry Dialogue is currently being supported by the Energy Foundation.



WWW.ATLASPOLICY.COM