

Volkswagen Settlement: Applicability of Funds to Airports and Airlines

Presented to: Interested Stakeholders

By: Airlines for America
Airports Council International
Federal Aviation Administration
National Association of State Aviation Officials

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January 31, 2017
February 14, 2017



Outline

- **Volkswagen Settlement:**

- Background & Outcomes
- Funds Allocation & Distribution
- Eligible Mitigation Actions
- Aviation Related Mitigation Actions & Surveys
- Timeline Going Forward

- **Aviation Organizations' Objectives**

- **Questions & Answers**



Volkswagen Settlement:

Background

- 2015: EPA issued a **notice of violation** to Volkswagen
- Approximately 500,000 Volkswagen diesel cars equipped with 2.0 liter engines included software that circumvents EPA standards for nitrogen oxides (NOx) emissions.
- During normal vehicle operation, these vehicles emit levels of NOx that significantly exceed EPA compliant levels.
- **October 25, 2016**: U.S. federal judge approved the settlement.

Volkswagen Settlement: Outcomes

- **\$10.033B**: Create one funding pool to compensate owners of Volkswagen diesel products

- ★ **\$2.7B**: Remediate any environmental effects of excess NOX emissions across all beneficiaries (all 50 States, District of Columbia, Puerto Rico, and Tribes)

- To be managed by a third party trustee
- Eligible Mitigation Actions include a large variety of categories, from trucks to ferries as well as airport ground support equipment (GSE)

- **\$2.0B**: Create infrastructure for and promote public awareness of zero emission vehicles (“ZEVs”)

- VW invests over four 30-month cycles.
- To be managed by the State of California Air Resources Board for California, and by EPA for the rest of the US
- Applicable to infrastructure for licensed on-road public vehicles

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Remediation Funds Allocation

INITIAL SUBACCOUNTS	INITIAL ALLOCATIONS (\$)	INITIAL ALLOCATIONS (%)
Puerto Rico	\$ 7,500,000.00	0.28%
North Dakota	\$ 7,500,000.00	0.28%
Hawaii	\$ 7,500,000.00	0.28%
South Dakota	\$ 7,500,000.00	0.28%
Alaska	\$ 7,500,000.00	0.28%
Wyoming	\$ 7,500,000.00	0.28%
District of Columbia	\$ 7,500,000.00	0.28%
Delaware	\$ 9,051,682.97	0.34%
Mississippi	\$ 9,249,413.91	0.34%
West Virginia	\$ 11,506,842.13	0.43%
Nebraska	\$ 11,528,812.23	0.43%
Montana	\$ 11,600,215.07	0.43%
Rhode Island	\$ 13,495,136.57	0.50%
Arkansas	\$ 13,951,016.23	0.52%
Kansas	\$ 14,791,372.72	0.55%
Idaho	\$ 16,246,892.13	0.60%
New Mexico	\$ 16,900,502.73	0.63%
Vermont	\$ 17,801,277.01	0.66%
Louisiana	\$ 18,009,993.00	0.67%
Kentucky	\$ 19,048,080.43	0.71%
Oklahoma	\$ 19,086,528.11	0.71%
Iowa	\$ 20,179,540.80	0.75%
Maine	\$ 20,256,436.17	0.75%
Nevada	\$ 22,255,715.66	0.82%
Alabama	\$ 24,084,726.84	0.89%
New Hampshire	\$ 29,544,297.76	1.09%
South Carolina	\$ 31,636,950.19	1.17%
Utah	\$ 32,356,471.11	1.20%
Indiana	\$ 38,920,039.77	1.44%
Missouri	\$ 39,084,815.55	1.45%
Tennessee	\$ 42,407,793.83	1.57%
Minnesota	\$ 43,638,119.67	1.62%
Connecticut	\$ 51,635,237.63	1.91%
Arizona	\$ 53,013,861.68	1.96%
Georgia	\$ 58,105,433.35	2.15%
Michigan	\$ 60,329,906.41	2.23%
Colorado	\$ 61,307,576.05	2.27%
Wisconsin	\$ 63,554,019.22	2.35%
New Jersey	\$ 65,328,105.14	2.42%
Oregon	\$ 68,239,143.96	2.53%
Massachusetts	\$ 69,074,007.92	2.56%
Maryland	\$ 71,045,824.78	2.63%
Ohio	\$ 71,419,316.56	2.65%
North Carolina	\$ 87,177,373.87	3.23%
Virginia	\$ 87,589,313.32	3.24%
Illinois	\$ 97,701,053.83	3.62%
Washington	\$ 103,957,041.03	3.85%
Pennsylvania	\$ 110,740,310.73	4.10%
New York	\$ 117,402,744.86	4.35%
Florida	\$ 152,379,150.91	5.64%
Texas	\$ 191,941,816.23	7.11%
California	\$ 381,280,175.09	14.12%
Tribal Allocation Subaccount	\$ 49,652,857.71	1.84%
Trust Administration Cost Subaccount	\$ 27,000,000.00	1.00%
Tribal Administration Cost Subaccount	\$ 993,057.15	0.04%
	\$ 2,700,000,000.00	100.00%

- The \$2.7B remediation funds are allocated to each state by the total number of affected Volkswagen vehicles that were sold
- Initial allocations are shown in the table to the left
- Beneficiaries will have up to 10-15 years to spend allocated funds



Distribution of Funds from Trustee

- **Beneficiaries will have the right to request their share of funds based on the allocation table (see list of states on previous slide)**
 - Airports and airlines will need to **follow procedures** established by each individual state to request Trust funds for eligible mitigation actions outlined in the **state's mitigation plan**
- **Beneficiaries may submit funding requests for eligible mitigation actions at any time**
 - Must have sufficient detail to enable the trustee to ensure that the funds will be spent on eligible mitigation actions and that the **money is spent transparently**
 - **Items to include in application:** Explanation of how request fits in beneficiary's mitigation plan, detailed description of proposal, NOx reduction estimates, project management plan, detailed cost estimates, details on compliance with cost-sharing and other requirements, and reporting
 - **Subject to change: these requirements will likely flow through to what each state requires of applicants**
- **No beneficiary may request payout of more than one-third of its allocation during the first year after VW makes the initial deposit of \$900 million to the trust, or two-thirds of its allocation during the first two years after VW makes the initial deposit**



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10 Eligible Mitigation Actions¹

- **Beneficiaries of the \$2.7B trust fund can remediate excess NOx emissions via any of the following 10 eligible mitigation actions:**

1. Class 8 Local Freight Trucks and Port Drayage Trucks (Eligible Large Trucks)
2. Class 4-8 School Bus, Shuttle Bus, or Transit Bus (Eligible Buses)
3. Freight Switchers
4. Ferries/Tugs
5. Ocean Going Vessels (OGV) Shorepower
6. Class 4-7 Local Freight Trucks (Medium Trucks)
7. Airport Ground Support Equipment
8. Forklifts
9. Light Duty Zero Emission Vehicle Supply Equipment
10. Diesel Emission Reduction Act (DERA) Option²

¹ For any Eligible Mitigation Action, trust funds may be used (up to 10%) for actual administrative expenditures associated with the action.

² Includes truck stop electrification, fuel efficiency and idle reduction equipment (fuel-operated heaters, auxiliary power units, etc.), diesel generators, among others. The list of DERA –eligible project types with their required cost-shares can be found at: <https://www.epa.gov/sites/production/files/2016-08/documents/fy16-dera-project-eligibility-cost-share-overview.pdf>

Electric Vehicles are recommended for Airports

- **Why?**

- Electric represents largest NOx reductions for the \$
- A wide range of all electric vehicles, suitable for airport services, are on the market
- Quiet and emissions free
- Much lower **operating costs** than diesel or CNG vehicles
- Much lower **maintenance costs** than diesel or CNG vehicles



All Electric Baggage Tugs



All Electric Belt Loaders



Send questions to laszlo.windhoffer@faa.gov



Federal Aviation
Administration

All Electric Aircraft Tugs

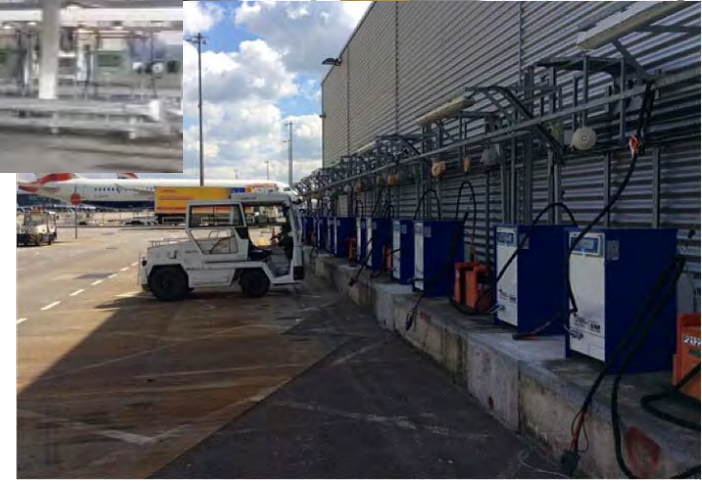


Send questions to laszlo.windhoffer@faa.gov



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EV GSE Charging Infrastructure



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Federal Aviation Administration

All Electric Shuttle Buses



Zero-Emissions Battery Electric Buses

30-foot

35-foot

40-foot

60-foot articulated

23-foot coach 45-foot coach

40-foot coach

Send questions to laszlo.windhoffer@faa.gov



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All Electric Light Duty Vehicles



Crossover SUV



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All Electric Forklifts



>8,000 lb capacity

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All Electric Trucks



Class 8 – 120,000 GCWR



Class 6 – 23,600 GCWR



Class 5 – 16,000 GCWR

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All Electric Refuse Trucks



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Directly Aviation Related Eligible Mitigation Actions¹

- **Airport Ground Support Equipment (GSE)**

- Eligibility

- Tier 0-2 diesel powered airport GSE
- Uncertified, or certified to 3 g/bhp-hr or higher emissions, spark ignition engine powered airport GSE

- Eligible equipment must be scrapped²

- Eligible equipment may be repowered by all-electric engine, or replaced with the same all-electric GSE

- Non-government owned GSE costs are up to 75% funded

- Government owned GSE costs are up to 100% funded

- **Forklifts**

- Equipment with greater than 8000 pounds lift capacity

¹ For any Eligible Mitigation Action, trust funds may be used (up to 10%) for actual administrative expenditures associated with the action.

² Engines must be rendered inoperable (3" hole in engine block) and available for recycle. If completely replaced, old vehicle frame must also be cut in half.

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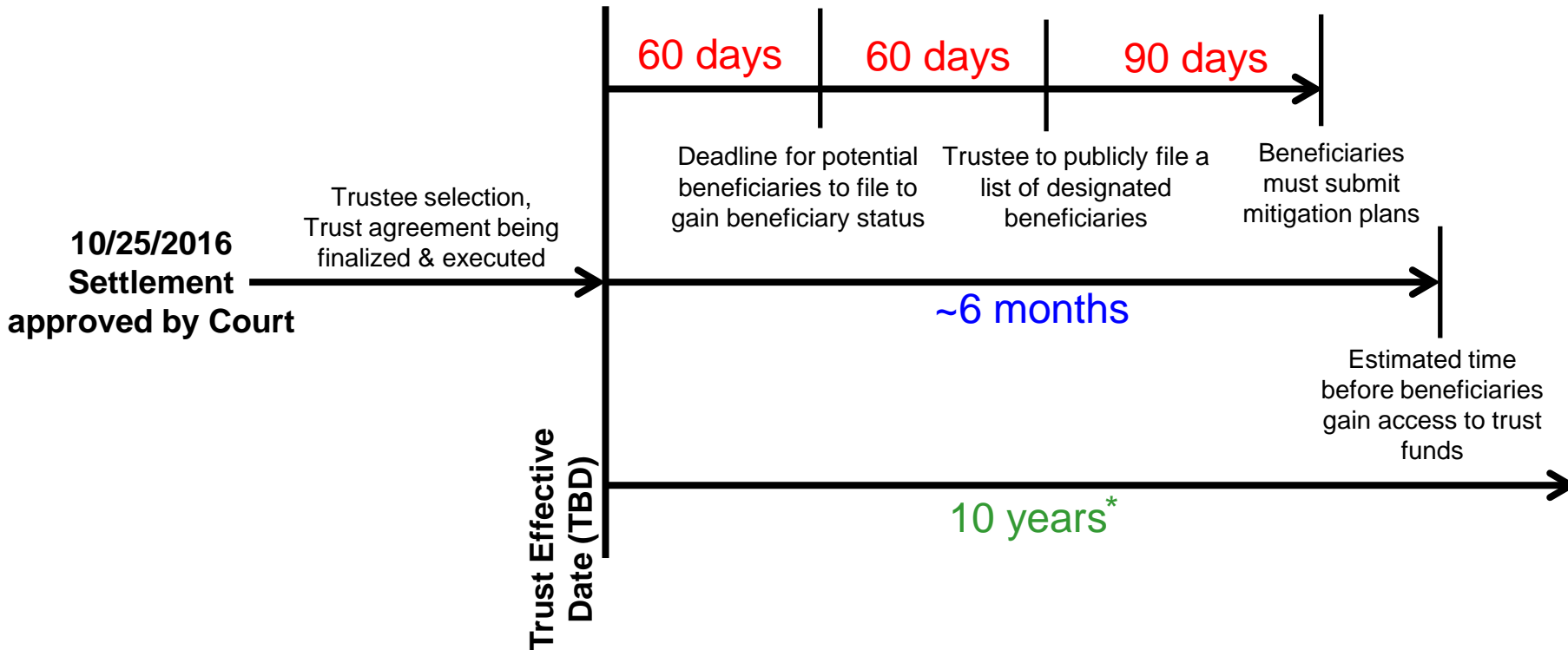
Settlement Timeline Going Forward

- Wilmington Trust, N.A. has been selected by the Court.
 - The trust agreement is being finalized, executed and filed. Completion of this process will mark the trust effective date.
- Within 60 days of the **trust effective date**:
 - Potential beneficiaries must file to gain beneficiary status.
- Within 120 days of the **trust effective date**:
 - Trustee must publicly file a list of designated beneficiaries; and, within 90 days of being deemed a beneficiary, mitigation plans must be submitted.
- In approximately 6 months from the **trust effective date**:
 - Estimated that beneficiaries will be have access to the trust funds.
- Over the course of 10 years* from the trust effective date, beneficiaries can spend their allocated trust funds.

* Beneficiaries have 10 years to spend allocated trust funds. After that, unused trust funds will be redistributed as supplemental funding among beneficiaries that have used at least 80% of their allocated trust funds. Such beneficiaries will be given five additional years to use the supplemental funding.



Settlement Timeline Going Forward



* Beneficiaries have 10 years to spend allocated trust funds. After that, unused trust funds will be redistributed as supplemental funding among beneficiaries that have used at least 80% of their allocated trust funds. Such beneficiaries will be given five additional years to use the supplemental funding.



What should I do now?

- **Educate yourself and your colleagues**
- **Start the project planning process**
 - Support from Executives (Leadership!)
 - Support from Finance
 - Get on the Capital Improvement Plan
 - Identify the necessary “list of approvals”
 - Formulate teams, hire contractors, etc.
- **Establish “line of sight” to State Agency**
 - Open lines of communication
- **Work towards a “no surprise project start” if/when funding arrives**



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FAA Objectives

- FAA can play an important role in communicating the applicability of settlement funds to aviation
 - FAA can facilitate at a high level by helping to obtain answers to questions, connecting key focal points and opening lines of communication between various aviation organizations in order to foster the use of VW funds for aviation
- FAA's Office of Environment & Energy (FAA-AEE) is engaging with key stakeholders (e.g. NASAO, A4A and ACI) about:
 - The use of Volkswagen settlement funds as an opportunity to replace eligible airport GSE with all-electric versions, as well as upgrade related electric charging infrastructure at airports
 - Conduct outreach efforts, develop guidance materials, and assist in organizing and participating in informational webinars
- FAA's Office of Airports can assist in answering questions related to VALE or other airport matters



A4A Objectives

- Member airlines are charged with developing projects that meet their equipment needs and capital planning schedules
- A4A will facilitate efforts hopefully in partnership with other aviation organizations
- Currently, A4A is:
 - Reaching out to states to encourage inclusion of GSE electrification in Beneficiary Mitigation Plans
 - Commenting on proposed plans and requests for information where states have begun the process
 - Acting as a clearing house for member airlines
 - Tracking key state movements
 - Sharing experiences within/across states

ACI Objectives

- Educate airports about the opportunity for funding
- Clarify types of eligible projects
- Serve as an information resource and assist airports as they prepare to submit project proposals to their Beneficiary's (State) lead agency within the next 6 months
- Assist airports in identifying necessary steps to prepare project proposals
- Raising awareness of airport executives, airport finance and planning departments (multi-level approach)
- Distinguish VW Settlement funds from other programs contain (i.e., VALE, AIP, PFC)
- Serve as facilitator with other organizations (FAA, A4A, NASAO, etc.)

NASAO Objectives

- Raise awareness of aviation NOx mitigation across State governments.
- Establish “line of sight” into State agencies for process to manage VW Settlement funds.
- Promote participation by aviation partners
- Facilitate a smooth application process for airports and airlines



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Questions & Answers

See separate Word document on [<insert link>](#).

