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Background

In 2015, the United States Environmental Protection Agency issued a notice of violation of the Clean Air Act alleging that the Volkswagen Group had installed emissions control defeat devices in various Volkswagen and Volkswagen-affiliated motor vehicles with diesel engines.¹ Volkswagen admitted it had done so to manipulate vehicle emissions tests. The devices were able to detect when a vehicle was subjected to emissions testing and change the vehicle's performance to satisfy emissions standards. The devices resulted in increases in nitrous oxides (NO and NO₂, or NO_x) emissions, up to 40 times the allowable amount under the Federal Clean Air Act.² Increased NO_x emissions have adverse effects on air quality and contribute to ground-level ozone formation. According to the Department of Environment, Great Lakes, and Energy (EGLE), approximately 18,000 vehicles with emissions control defeat devices were registered in Michigan.³

Volkswagen later settled various civil claims with the Federal government, state governments, and customers. In total, Volkswagen agreed to pay nearly \$15.3 billion. The settlement agreements established the Environmental Mitigation Trust, through which \$2.8 billion of the settlement was allocated to the United States, Puerto Rico, District of Columbia, and various states.⁴ The State of Michigan is a Trust beneficiary and was allocated \$64.8 million.⁵ The Environmental Mitigation Trust Agreement for State Beneficiaries requires each state beneficiary to designate a lead agency and to develop a beneficiary mitigation plan. The Michigan Department of Environment, Great Lakes, and Energy is the lead agency for Michigan under the Trust. Accordingly, EGLE developed the Michigan Beneficiary Mitigation Plan, which, among other things, describes how Trust funds may be spent.

Michigan Beneficiary Mitigation Plan

The goals of the Michigan Beneficiary Mitigation Plan include reducing NO_x emissions and maximizing air quality benefits, reducing diesel emissions from school buses, and increasing the adoption of zero emission vehicles (ZEVs) and alternate fuel vehicles and equipment.⁶ Settlement funds are allocated to eligible mitigation activities shown in Table 1.

Table 1

Categories of Eligible Mitigation Actions	Funding Distribution	% of Funds Allocated
Class 4-8: Local Freight Vehicles (Eligible Medium and Large Trucks and Port Drayage Trucks), Shuttle Buses and Transit Buses	\$19,442,104.39	30.0%
Freight Switchers, Great Lakes Ferries/Tugs, Shore Power, Port Cargo Handling Equipment and Forklifts, Airport Ground Support Equipment	16,201,753.66	25.0
Class 4-8: School Buses	13,961,402.93	21.5
Light-Duty ZEV Supply Equipment	9,721,052.19	15.0
Diesel Emission Reduction Act (DERA) Option	\$0.00	0.0
Program Administration	5,480,701.46	8.5
Total	\$64,807,014.63	100.0%

Source: EGLE, "Michigan Volkswagen Settlement Beneficiary Mitigation Plan". Updated August 2019.

¹ Environmental Protection Agency, "EPA, California Notify Volkswagen of Clean Air Act Violations", Press Release, 9-18-2015.

² Department of Environment, Great Lakes, and Energy, "Michigan Volkswagen Settlement Beneficiary Mitigation Plan", Updated August 2019.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ EGLE, "Report on Volkswagen Settlement Fund, Report Period: Fiscal Year 2023", Revised January 2024.

Table 2 shows a financial summary of current obligations and expenditure of settlement dollars.

Table 2

Allocation	Obligated	VW Funds Spent	Total
Class 4-8: Local Freight Vehicles (Eligible Medium and Large Trucks and Port Drayage Trucks), Shuttle Buses, and Transit Buses	\$6,485,533	\$589,527	\$7,075,059
Freight Switchers, Great Lakes Ferries/Tugs, Shore Power, Port Cargo Handling Equipment and Forklifts, and Airport Ground Support Equipment	\$5,240,596	\$0	\$5,240,596
Class 4-8: School Buses	\$462,979	\$12,409,881	\$12,872,861
Light-Duty ZEV Supply Equipment	\$2,848,452	\$4,197,990	\$7,046,442
Program Administration	\$13,060	\$482,640	\$495,700
Totals	\$15,050,620	\$17,680,038	\$32,730,658

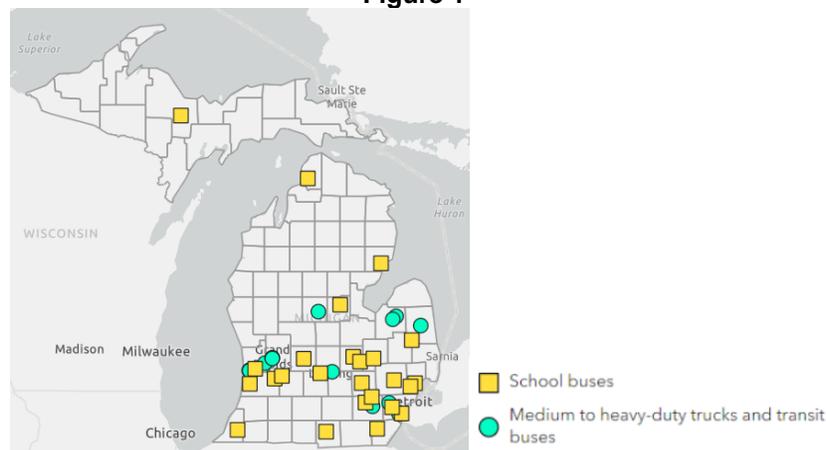
Source: EGLE, "Report on Volkswagen Settlement Fund, Report Period: Fiscal Year 2023", Revised January 2024.

The following is a summary of the eligible mitigation action categories and project status:⁷

- Class 4-8: Local Freight Vehicles, Shuttle Buses, and Transit Buses. Projects involve the replacement of eligible local freight vehicles and shuttle and transit buses with those fueled by diesel, alternative fuels, or electricity. Grants were awarded to 16 applicants; a total of 52 vehicles will be replaced, and all projects are expected to be closed by 2025.
- Freight Switchers, Great Lakes Ferries/Tugs, Shore Power, Port Cargo Handling Equipment and Forklifts, and Airport Ground Support Equipment. Projects involve freight switchers, Great Lakes ferries and tugs, shore power, airport ground support equipment, port cargo handling equipment, and forklifts as described in the Mitigation Plan. The request for proposals (RFP) for ferries/tugs/shore power/freight switcher subcategory closed on September 23, 2022; grants were awarded to two applicants. One ferry will be converted from diesel to electric, and one shore power system will be installed. Both projects should be completed in 2025. The RFPs for port cargo handling equipment/forklifts and airport ground support equipment closed on November 1, 2023; as of January 2024, EGLE staff were reviewing applications.
- Class 4-8: School Buses. Projects in this category involved replacing eligible school buses with new diesel, alternate fueled, or electric school buses. Grants were awarded to 26 projects. One involved the replacement of 17 diesel school buses with new electric buses; the remaining projects involved replacing 295 diesel school buses with new diesel and propane buses. All projects have been completed.
- Light-Duty ZEV Supply Equipment. Projects support development of electric-vehicle charging and hydrogen fuel-cell refueling infrastructures. Funding is by matching grants (up to 50% of project cost) for direct current (DC) fast charging equipment and accessories, including various components and software; and hydrogen fuel-cell dispensing equipment. Grants have been awarded to 104 projects to install 202 DC fast charging stations and 17 Level 2 charging stations; at present, 162 DC fast charging stations and 17 Level 2 charging stations are completed. The remaining fast charging stations should be completed by the end of 2025.

Many (not all) of these projects are funded through EGLE's Fuel Transformation Program (which itself is funded through Volkswagen settlement funds). Associated project locations are shown in [Figure 1](#).

Figure 1⁸



⁷ The information that follows was derived from EGLE, "Report on Volkswagen Settlement Fund, Report Period: Fiscal Year 2023", Revised January 2024; EGLE, "Michigan Volkswagen Settlement Beneficiary Mitigation Plan", Updated August 2019.

⁸ EGLE, "Fuel Transformation Program".