



Summary of
**Texas Volkswagen
Environmental Mitigation Plan**

Technical Memorandum

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Sub-Task 2.1 TWG Technical Issues Analysis – Summary of
Texas Volkswagen Environmental Beneficiary Plan

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SUMMARY OF TEXAS VOLKSWAGEN ENVIRONMENTAL MITIGATION PLAN

BACKGROUND

Texas Commission on Environmental Quality's (TCEQ) Texas Volkswagen Environmental Mitigation Program (Program) was created to administer the distribution of funds received from the Volkswagen (VW) State Environmental Mitigation Trust (Trust). The Trust is part of the settlement agreement resulting from the lawsuit filed by the United States Environmental Protection Agency (EPA) and the State of California against VW. The lawsuit alleged that the automobile manufacturer violated the federal Clean Air Act provisions by incorporating emission defeat devices that caused exhaust emission control systems of some VW light-duty diesel vehicles sold in the U.S. be disabled during normal driving conditions. As a result, these vehicles emitted higher levels of nitrogen oxides (NO_x) emissions during normal operations than is permitted under the current emissions standards for diesel vehicles.

As a part of the settlement agreement, VW agreed to pay approximately \$2.9 billion into the State Environmental Mitigation Trust and fund a \$2 billion national Zero Emission Vehicle (ZEV) infrastructure program. Along with all the other States, the District of Columbia, and Puerto Rico, the State of Texas was certificated as a beneficiary of the Trust. The funds in the Trust were distributed based on the number of the affected vehicles registered within the boundaries of each beneficiary. As a beneficiary of the Trust, Texas is receiving a **minimum of \$209 million** for the projects aiming to mitigate excess NO_x Emissions from the affected vehicles. Per the Trust requirement, all beneficiaries have 3 to 10 years to spend their allocated funds.

TCEQ has been designated as the lead agency responsible for the administration of funds received from the Trust and creating a Beneficiary Mitigation Plan (Plan) that describes how the funds allocated to Texas will be used. The final Plan was publicly released on November 16, 2018 and posted on the Program's website¹. The Plan

¹ Texas Volkswagen Environmental Mitigation Program (TxVEMP): www.TexasVWFund.org

addresses the state's goals for the use of the mitigation funds, priority areas, fund allocations, and eligible mitigation actions as described in the rest of this document.

GOALS OF THE PLAN

The overall goal of the Plan is to use the mitigation funds to "alleviate the air quality impacts from the affected vehicles." TCEQ has identified four specific objectives to achieve this goal:

- **Reduce NO_x Emissions** – especially in areas most affected by excess NO_x from the affected vehicles as well as areas in non-attainment and near non-attainment for ground-level ozone
- **Reduce the Potential for Exposure of the Public to Pollutants**
- **Prepare for Increased and Sustained Use of ZEVs**
- **Complement Other Incentive Funding Programs** – especially the Texas Emission Reduction Plan (TERP). TCEQ states that while TERP provides grants to reduce the NO_x emissions that would occur in the future, the VW funding focuses on the mitigation of the excess NO_x emission that the affected vehicles have already emitted.

PLAN ELEMENTS

The Plan includes the following elements:

- Categories of eligible mitigation actions
- Description of how TCEQ considers the potential air quality impacts of the selected eligible mitigation actions
- Expected ranges of emissions benefits from the eligible mitigation actions

ALLOCATION OF FUNDS

Table 1 shows a summary of the preliminary VW funds allocation among eligible activities and Priority Areas according to the final Texas Environmental Beneficiary Plan. The available funding is allocated to three broad categories of activities as follows:

- Up to 15% for **Statewide** Light-Duty ZEV Supply Equipment Funding
- Up to 81% for Eligible Mitigation Actions in **Priority Areas**
- Up to 4% for Administrative Costs

Table 1. Final Allocation of VW Funds Per Texas Environmental Beneficiary Plan.

Activity		Pro-Rata Allocation	Base Funding for NA and NNA Areas	Strategic Allocation	Total
Priority Areas (81%)	DFW	\$22,919,202	\$10,465,958	—	\$33,385,160
	HGB	\$21,360,321	\$10,465,958	—	\$31,826,279
	SAT	\$8,619,558	\$10,465,958	\$42,500,000	\$61,585,516
	AUS	\$11,547,602	—	\$4,750,000	\$16,297,602
	ELP	\$2,064,031	—	\$14,750,000	\$16,814,031
	BEL	\$1,757,741	—	\$325,324	\$2,083,065
	BPA	\$806,869	—	\$6,750,000	\$7,556,869
	Total	\$69,075,324	\$31,397,874	\$69,075,324	\$169,548,522
Light-Duty ZEV Supply Equipment (15%)			approximately \$31.4 million		
Administrative Costs (4%)			approximately \$8 million		

DFW:	Dallas-Fort Worth Area – Counties: Dallas, Tarrant, Parker, Wise, Denton, Collin, Rockwall, Kaufman, Ellis, Johnson, Hood
HGB:	Houston-Galveston-Brazoria Area – Counties: Harris, Waller, Montgomery, Ft. Bend, Galveston, Chambers, Brazoria, Liberty
SAT:	San Antonio Area – Counties: Bexar, Wilson, Comal, Guadalupe
AUS:	Austin Area – Counties: Travis, Hays, Caldwell, Williamson, Bastrop
ELP:	El Paso County
BEL:	Bell County
BPA:	Beaumont-Port Arthur Area – Counties: Jefferson, Orange, Hardin

TCEQ may adjust the allocation percentages in the future based on an evaluation of the demands for the funds and the best approach to achieve the goals of the Program. TCEQ will use grants as the mechanism to distribute the funds. TCEQ is currently developing grant programs for this purpose which are expected to be released in 2019. Once these programs are finalized, the information will be posted on the Program's website (www.TexasVWFund.org). Both governmental and non-governmental-owned equipment are eligible for the available funds. More details on each category is provided in the following sections.

Light-Duty ZEV Supply Equipment Funding – up to 15% of total funds

The final Plan does not include a detailed plan for the use of funds allocated for light-duty ZEVs. The Plan states that TCEQ will consider the input received when implementing this activity category. The stated goal of this category is to “increase available infrastructure for providing electricity to light-duty electric vehicles” and “hydrogen for hydrogen fuel cell vehicles.” The Plan explicitly mentions funding for

charging stations along state's major transportation corridors. The funding levels as percentages of total eligible costs are as follows:

- Electric charging – 50% of eligible cost
- Hydrogen fueling
 - Capable of dispensing at least 250 kg/day – 33% of eligible cost
 - Capable of dispensing at least 100 kg/day – 25% of eligible cost

Eligible Mitigation Actions in Priority Areas – up to 81% of total funds

The Plan lists seven areas of the state (Table 1) as Priority Areas which are defined as areas "that bear a disproportionate share of air pollution and particularly ozone within Texas." The Priority Areas contain most of Texas' major metropolitan urban areas and are home to over 70 percent of the state's population. The allocation for these areas consists of three components as follows:

- 33% of the total funds based on the **population of affected VW vehicles**; i.e. relative percentage of registered vehicles in these areas
- 15% of the total funds for three areas that are **currently in non-attainment** for ground-level ozone; i.e. DFW, HGB, and San Antonio
- 33% of the total funds is the **Strategic Allocation** category that allocate the funds to areas based on "a strategic assessment of where the funding might best help achieve the mitigation plan goals"

Table 2 shows the categories of mitigation actions that are listed in the final Plan as eligible for funding in priority areas.

ADDITIONAL NOTES

- The funds are administered solely by TCEQ; i.e. the Plan does not include a provision for the regional administration of the funds by regional councils of governments (COG) or metropolitan planning organizations (MPO).
- To calculate the NOx emissions benefits for eligible projects, TCEQ proposes the use of the calculation methods used for the TERP grant programs.

Table 2. Eligible Mitigation Actions in Priority Areas.

Action	Eligible Equipment	Fuel	Model Year	Funding Level (% of Eligible Cost)	
				Govt. Owned	Non-Govt.
Replace or Repower*	Class 4, 5, 6, and 7 Local Freight Trucks	Not Specified	2009 and older	80%	Replace Electric 50%
	Class 8 Local Freight Trucks Port Drayage Trucks	Not Specified	1992 to 2009		Diesel or Alternative Fuel 25%
	Class 7 and 8 Refuse Trucks	Not Specified	1992 to 2009		Diesel or Alternative Fuel Drayage Truck 50%
	Class 4, 5, 6, 7, and 8 School Buses	Diesel or Gasoline	2009 and older		
	Class 4, 5, 6, 7, and 8 Transit and Shuttle Buses	Diesel	2009 and older		
	– Forklifts – Cargo Handling Equipment (CHE) – Yard Trucks – Electric Charging Infrastructure to Support CHE Electrification	Diesel or Spark-ignition	Older models Years Not Specified		Repower Electric 50%
	– Airport Ground Support Equipment (GSE) – Electric Charging Infrastructure to Support GSE Electrification	Diesel or Spark-ignition	Older models Years Not Specified		Diesel or Alternative Fuel 25%
Install Ocean-Going Vessel Shore Power				25%	

*** Notes:**

- Repower means “replacement of an existing engine with a newer, cleaner engine or power source that is certified by EPA and, if applicable, CARB, to meet a more stringent set of engine emission standards.”
- In the case of repower of a truck, the old engine must be scrapped.
- In the case of replacement of a truck, both the engine and the truck must be scrapped.
- The equipment must have been used in Texas for a minimum period of two years immediately preceding the grant application date.

REFERENCES

1. TCEQ, Volkswagen Environmental Mitigation Trust: Beneficiary Mitigation Plan for Texas, November 2018,
https://www.tceq.texas.gov/assets/public/comm_exec/pubs/rg/rg-537.pdf
2. TCEQ, VW Mitigation Plan and TERP Update, Presented at Texas Technical Working Group for Mobile Source Emissions (TWG), December 2018,
<https://www.texastwg.org/twg-181207-vw-and-terp/>