



DATE: 31 JANUARY 2019
TO: MEMBERS OF THE VT CLIMATE SOLUTIONS CAUCUS
FROM: VPIRG ET AL
RE: ELECTRIFICATION USING VOLKSWAGEN STATE SETTLEMENT FUNDING

BACKGROUND

A. Why electrification?

Transportation is the largest contributor to Vermont's greenhouse gas emissions of all sectors – equating to almost 45 percent of the state's climate pollution. Vermont has the opportunity to deploy a diverse set of strategies – and a major one will be more efficient, electric vehicles. Tackling this energy-intensive sector strategically can have many benefits – reducing climate pollution, growing jobs and helping Vermonters with lower incomes transition to cleaner vehicles.

To put Vermont on track to meet our climate commitments, the 2016 Comprehensive Energy Plan laid out a goal of 10% (roughly 60,000) of the vehicles in Vermont being electric by 2025. More recently, following on the news of Vermont's rising carbon pollution the Energy Action Network looked again at what was necessary and determined that we will need at least 90,000 EVs on the road by that year to get back on track.¹ The road has gotten more difficult - and yet the benefits of this transition have only grown in the intervening years.

Electrification of the transportation sector presents a huge opportunity for the state and is a clear winner as we look into solutions around the dangers of global warming. EV fuel and maintenance costs are already lower than those for internal combustion engine (ICE) vehicles², and a recent report from Bloomberg New Energy Finance projected EVs will be cheaper off the lot than equivalent ICE vehicles in the next 5-6 years, a trend driven by plummeting battery prices.³ At the same time, dozens of new models are coming on the market, from SUVs from budget automakers Kia and Hyundai to a recently announced electric Ford F-150⁴.

Making these vehicles available to a wide variety of Vermonters, especially Vermonters with lower incomes, is a key step towards making our climate commitments a reality. Dedicating all available VW settlement dollars to this effort is an important down payment on that future.

B. Understanding the Volkswagen Settlement

While Vermont is receiving \$18.7 million from the Federal lawsuit against Volkswagen (VW) for their deceptive practices (the section granting Vermont that money is also referred to as "Appendix D"), the State of Vermont also filed a separate lawsuit against and several of its subsidiaries for violations of Vermont's Consumer Protection Act and Air Pollution Control laws and regulations.⁵

¹EAN presentation at the House Energy and Technology committee on 1/25/2019

² <https://www.driveelectricvt.com/buying-guide/cost-of-ownership>

³ <https://www.bloomberg.com/news/articles/2018-03-22/electric-cars-may-be-cheaper-than-gas-guzzlers-in-seven-years> & <https://bnef.turtl.co/story/evo2018?teaser=true>

⁴ <https://www.vox.com/energy-and-environment/2019/1/24/18195880/ford-f150-ev-electric-pickup-truck>

⁵ State of Vermont V. Volkswagen Aktiengesellschaft. Vermont Superior Court (8 September 2016). Retrieved from: <https://ago.vermont.gov/wp-content/uploads/2018/02/Volkswagen-Complaint-09-08-2016.pdf>.

Vermont is one of 13 states with standards that are stricter than the Federal Clean Air Act Standards, and therefore alleged that the defendants sold and leased certain diesel passenger vehicles which were advertised as “clean,” “green,” and “environmentally friendly,” when in fact they emitted up to 40 times the amount of legally permitted pollution. Vermont is one of two states that received an additional, state-specific settlement.⁶

In 2018, Vermont received \$6.5 million as a result of this additional settlement, of which \$3.6 million went into the State’s General Fund. Then, early this year, the Attorney General’s office announced additional settlements with Fiat Chrysler and Bosch for similar violations of environmental and consumer law related to diesel emissions from vehicles marketed as cleaner than they were.⁷ The nature of these settlements allow for all of this funding to be used at the discretion of the state, without parameters.

NB: All of the aforementioned settlements are different from a \$4.2 million settlement received in 2017 that has already been used by the state in FY2018.

PROPOSED ADVOCACY

1. Expand efficient mobility through targeted use of the VW settlement funds. Create a program for Vermonters with lower incomes to access electric or hybrid vehicles. Create a point-of-sale, income-sensitive incentive – using the \$4.5 million from VW consumer protection, Bosch, and Fiat Chrysler settlement dollars now destined for the General Fund, including a pilot program in partnership with Vermont Community Action Agencies to make electric vehicles (EVs), or potentially used hybrid vehicles, available to Vermonters with lower incomes.
2. Dedicate all the remaining federal VW Settlement funds (Appendix D) to heavy duty electric vehicles and EV infrastructure, mirroring the action the legislature took for Appendix D funds authorized to be spent in FY19 last session.
 - Representative Yantachka recently introduced H.87 which is legislation that would direct all Appendix D funding of the VW settlement to electrification of vehicles, including 15% of the funding (the maximum allowed in the terms of the settlement) to infrastructure for electric, light-duty vehicles.
3. Authorize third-party electric vehicle charging and per kilowatt hour sales to make EV charging infrastructure easier to deploy and more accessible.

In the 2019 legislative session, the budget process will be a critical venue for ensuring we continue to accelerate Vermont’s transition to cleaner, electric transportation. The appropriations committees need to hear from the policy committees, the public, and their fellow representatives and senators that dedicating all VW settlement funds - federal and state - to electrification must be a key component of the climate package in the budget.

⁶Office of the Attorney General. “VW to Pay \$6.5 Million to Consumers, State of Vermont in Settlement”. 13 June 2018.

<https://ago.vermont.gov/blog/2018/06/13/vw-to-pay-6-5-million-to-consumers-state-of-vermont-in-settlement/>

⁷<https://vermontbiz.com/news/2019/january/17/vermont-gets-nearly-3-million-settle-consumer-and-enviro-cases>