

South Dakota's Volkswagen Beneficiary Mitigation Plan

Public Input Meeting
South Dakota Department of
Environment and Natural Resources
Barb Regynski

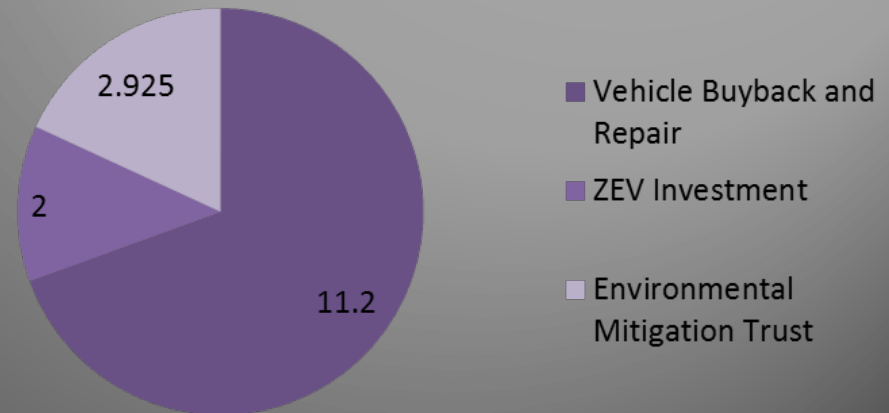
Overview of VW Case

- ▶ In 2016, EPA and California filed a lawsuit against Volkswagen for installing a system that allowed nitrogen oxide pollution, also referred to as NO_x, to exceed levels allowed by the Clean Air Act.

Settlement

- ▶ Volkswagen agreed to a settlement consisting of three major parts:
 - 1st – Volkswagen must buy back or repair non-compliant vehicles
 - 2nd – Volkswagen must invest in zero emission vehicle (ZEV) infrastructure and awareness. An example of this would be electric cars.
 - 3rd – Volkswagen must fund an Environmental Mitigation Trust to be used to offset the excess pollution emitted by the non-compliant vehicles.

Settlement Breakdown
(Billion Dollars)



Environmental Mitigation Trust

- ▶ Allocations were based on the number of impacted VW vehicles in their state.
- ▶ South Dakota's Allocation: \$8.125 million
- ▶ The Trust will support projects that reduce NOx emissions
- ▶ DENR has been designated by the Governor to be the "Lead Agency" in South Dakota to administer the state's Trust allocation.

Spending Trust Allocations

- ▶ Funds are to be disbursed within 10 years.
- ▶ Up to 1 / 3 of the state's allocation may be requested during the first year and up to 2 / 3 of the allocation during the first two years.
- ▶ The state must develop and submit a “Beneficiary Mitigation Plan”.
 - A high-level summary of how the state intends to spend the Trust funds
 - Must be submitted at least 30 days before the first funding request
- ▶ States may adjust their goals and spending plans but must provide the Trustee with updates to their Plan.

Beneficiary Mitigation Plan

The Trust stipulates the Plan shall address:

- ▶ Overall goals for use of the funds
- ▶ Categories of Eligible Mitigation Actions (including % of funds anticipated to be used for each category)
- ▶ Potential beneficial impact on air quality in areas that bear a disproportionate share of the air pollution burden
- ▶ Expected ranges of emission benefits
- ▶ The extent to fund projects in accordance with the DERA Program
- ▶ Process by which the State shall seek and consider public input on its Plan

Overall Goal

To facilitate the improvement and protection of the ambient air quality throughout South Dakota.

- ▶ Fund projects throughout the state and in areas of the state that bear a disproportionate share of the impact of NO_x emissions
- ▶ Achieve reductions in ground level ozone, for which nitrogen oxide is a precursor, in areas of the state where levels are approaching the federal National Ambient Air Quality Standards
- ▶ Maximize the use of funds in reducing nitrogen oxide emissions
- ▶ Award funds through a public process

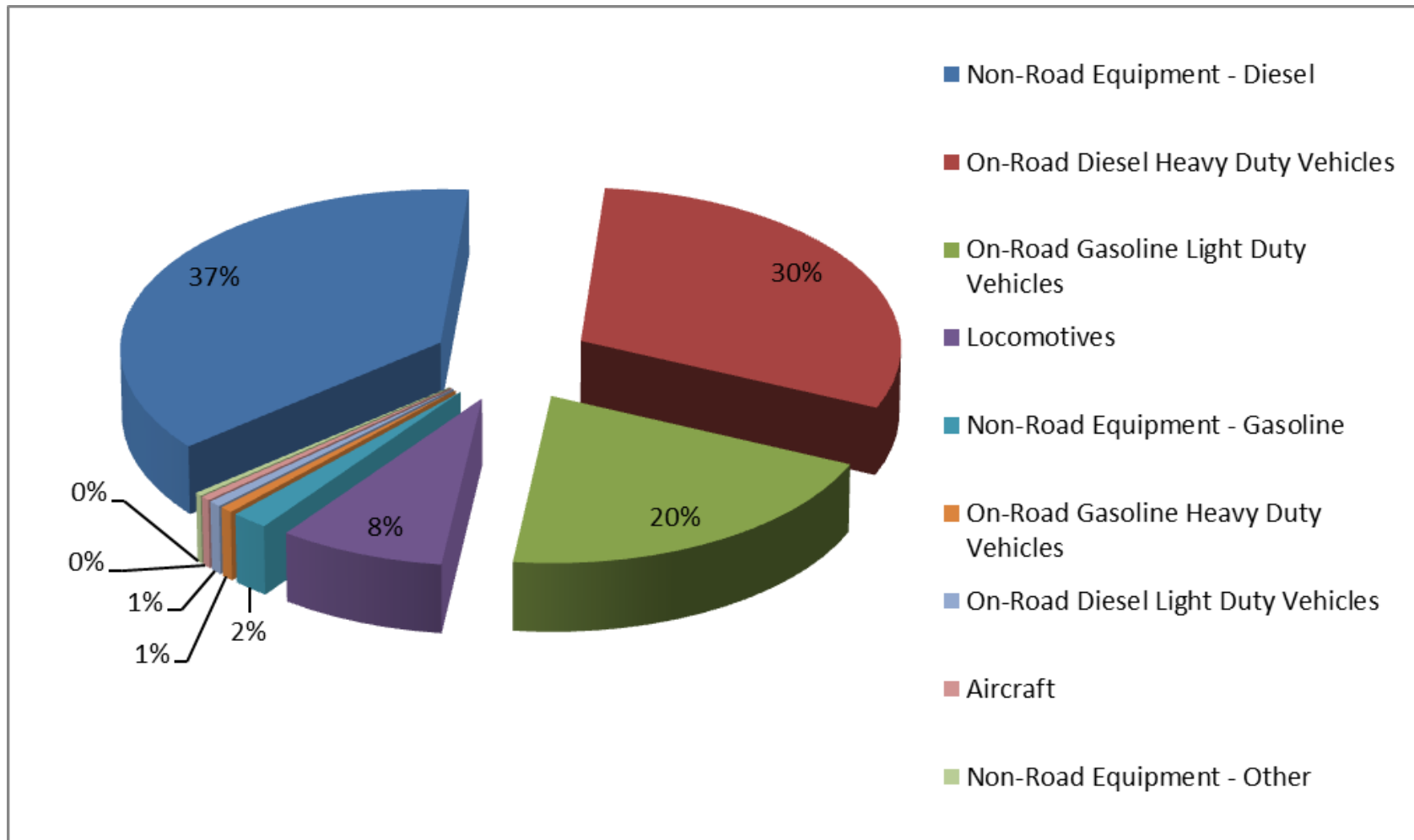
What is NOx

- ▶ NOx (Nitrogen Oxides) –harmful compounds released by combustion processes, including diesel engines
- ▶ Reacts with Carbon Monoxide (CO) and Volatile Organic Compounds (VOCs) in sunlight to form ground-level ozone, the major component of smog, which is a significant air pollution problem in the U.S.
- ▶ NOx and particulate matter from diesel emissions and other sources are linked to serious health effects including asthma, respiratory system irritation, allergen sensitivity, respiratory infections, and premature death.

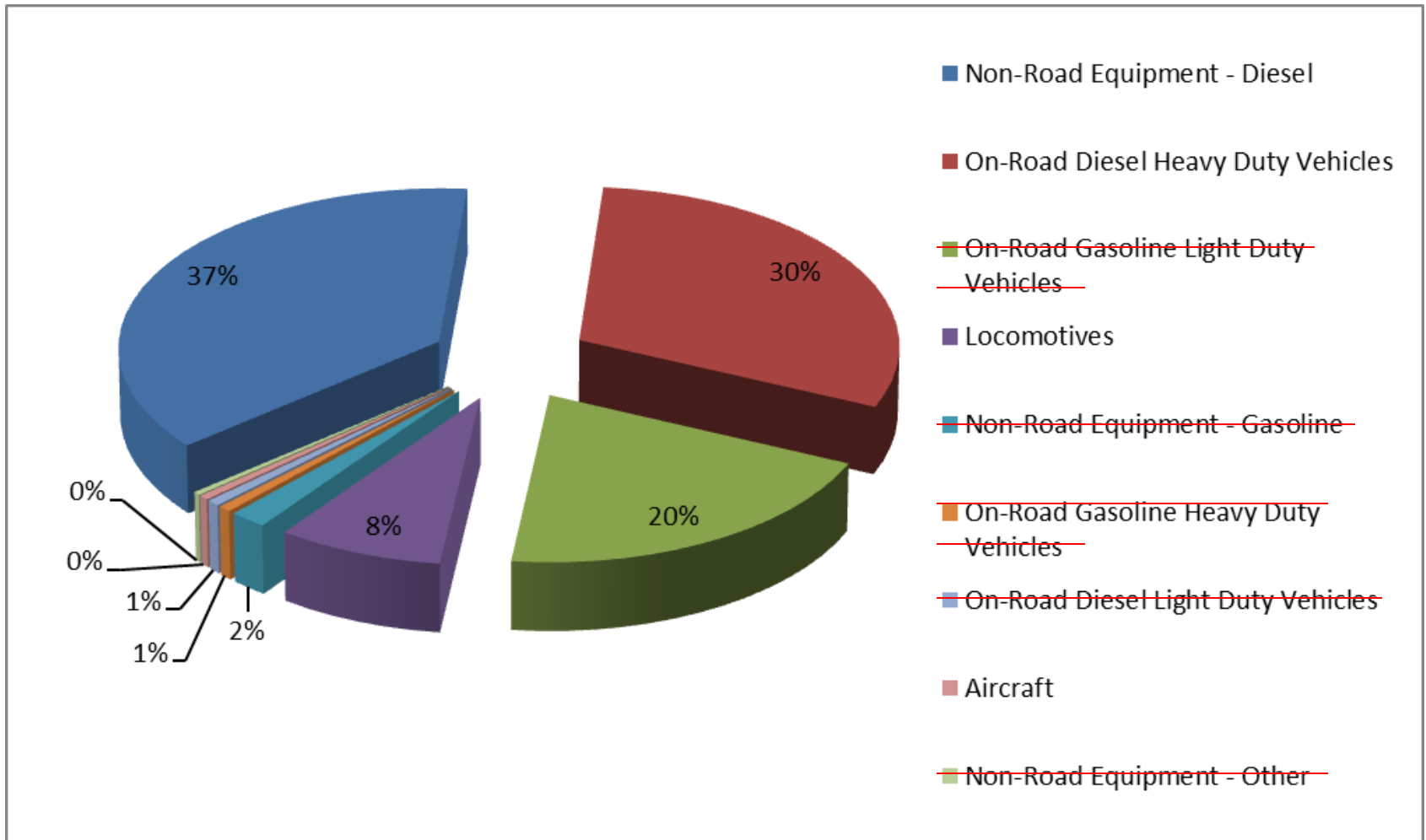
Eligible Mitigation Actions

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 and Port Cargo Handling Equipment
9. Light Duty Zero Emission Vehicle Supply Equipment
10. Diesel Emission Reduction Act (DERA) Option

Mobile Sources in South Dakota



Mobile Sources in South Dakota



Anticipated Funding

Category	Eligible Mitigation Action	Funding
1/6	Class 8 (large) and 4-7 (medium) eligible local freight trucks	50%
2	Class 4-8 eligible school bus, shuttle bus, or transit bus	10%
3	Freight switchers	0%
4	Ferries and tugs	0%
5	Ocean going vessels shorepower	0%
7	Airport ground support equipment	0%
8	Forklifts and port cargo handling equipment	0%
9	Light duty zero emission vehicle supply equipment	5%
10	Diesel Emission Reduction Act (DERA) option	25%
	Total	90%

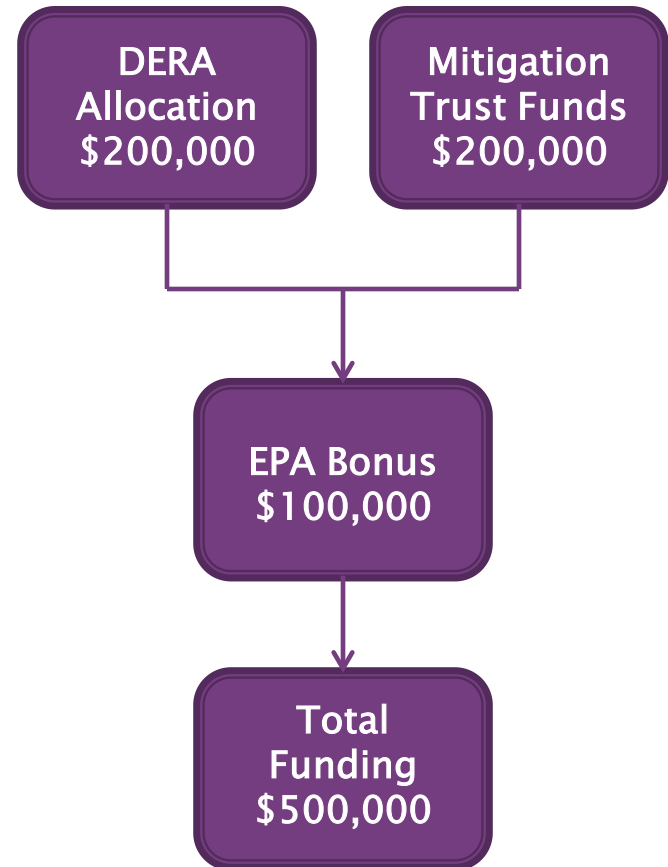
The Department is proposing to use the remaining 10% to cover administrative expenses.

Potential Beneficial Impact and Expected Emissions Benefits

- ▶ Heavy duty highway vehicles may provide up to a 96% reduction in NO_x emissions per vehicle, based on replacing a model year 1992 engine with a vehicle having newest emissions standards.
- ▶ Decreasing unhealthy diesel emissions will improve ambient air quality in areas that bear a disproportionate share of the air pollution burden
- ▶ Especially true for school buses, since children are more vulnerable to the effects of diesel exhaust.
- ▶ Tons of pollution reduced over the lifetime of the vehicles, specifically NO_x
- ▶ Reduced public exposure to diesel particulate matter, which EPA has classified as a likely human carcinogen.

The Extent to Fund DERA Projects

- ▶ Use for school and transit buses
- ▶ Use Trust funds to meet the State's non-federal voluntary match
- ▶ In meeting the voluntary match equal to the base allocation offered by EPA, EPA will provide a bonus equal to 50% of the base allocation.



Our Public Input Process

- Develop a website to provide information and to request public input
– Completed last September
- Draft the Plan – Completed in early May
- Request public input on the draft Plan – This is in Process, public comments are being accepted through June 15
- Hold public input meetings in Rapid City and Sioux Falls – Scheduled for early June
- Consider the comments received and make any needed revisions to the Plan
- Public notice another comment period and a hearing on the revised plan in front of the Board of Minerals and Environment
- The Board would consider any new comments received, finalize and approve the Plan
- The approved plan would be submitted to the trustee

More Information

<http://denr.sd.gov/des/aq/aaVW.aspx>



Any comments on the plan will now be taken.