

Environmental Mitigation Trust: Deadline looming on grant money

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Across the nation, billions of dollars are becoming available to private and public entities to promote investments in clean transportation technology. As a result of the Volkswagen emissions scandal and related settlement, Volkswagen has agreed to pay $2.9 billion dollars to an environmental mitigation trust which will be divided among the states. Each state will focus on providing funding for government and non-government entities to replace vehicles, build electric vehicle infrastructure, and reduce emissions.

Volkswagen Settlement Background

Beginning in 2008, Volkswagen violated Environmental Protection Agency (EPA) guidelines for emissions of nitrogen oxides (NOx) in 550,000 vehicles in the United States. Volkswagen designed its vehicles to include a “defeat device” to be used during emissions testing. While this device helped Volkswagen vehicles comply with EPA testing standards, during regular operation, the vehicles emitted between 9 and 38 times the permitted limit of NOx.

In June 2016, the U.S. Department of Justice released a partial consent decree settling the claims against Volkswagen. As part of the settlement, Volkswagen agreed to invest $2 billion in zero-emission vehicle technology and invest $2.9 billion in an environmental mitigation trust (the “Environmental Mitigation Trust”). The Environmental Mitigation Trust has been allocated between states, tribes, Puerto Rico, and D.C. (“beneficiaries”) based on the number of vehicles sold to consumers in each jurisdiction. These beneficiaries must create plans for the funds, which may be used to repower or replace vehicles, build greater infrastructure for electric cars, and expand programs aimed at reducing emissions. While the states retain the ability to create their own programs, there are a number of limitations on the trust. For example, the goal of each project should be to reduce NOx emissions, the beneficiaries should spend the funds within 10 to 15 years, and up to 15% of the funding can be spent on electrical charging

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infrastructure. Many states have already developed specific grant programs to distribute the funding, several of which require complex and competitive application processes.

Several of the state grant programs are currently accepting applications or will open the process soon. Click here for a chart providing details on certain grant programs across the major states in Frost Brown Todd's footprint.

For more information, contact any member of Frost Brown Todd's Distribution, Transportation, and Logistics team.

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