



State of Oregon
Department of
Environmental
Quality

Legislative Concept Request 463: Volkswagon Settlement Fund

Background

Although diesel powered vehicles are a small portion of the vehicles on the road, making up roughly six percent of those driving in Oregon, their air pollution impacts are large, 60 to 70 percent of particulate emissions from all vehicles. Diesel engine emissions include many harmful, and in some instances cancer-causing pollutants. New diesel engines are approximately 99% cleaner than their older counterparts. Since the older equipment is extremely durable and reliable however, there is little incentive for owner and operators to replace the thousands of older trucks and pieces of equipment still in use in the state.

The State of Oregon is projected to receive close to \$73 million in settlement funds associated the Volkswagen emissions cheating scandal. These settlement funds can be used to incentivize the retrofitting and replacement of older, higher-emitting diesel engines; an essential air quality improvement strategy.

Currently, ORS 468A.805 restricts the use of settlement funds to support school bus retrofit and replacement projects. DEQ forecasts that replacing or retrofitting the 450 older diesel-powered school busses in Oregon will cost approximately \$20 million. Unless the statute is amended to expand the allowable uses of these funds, approximately \$53 million in additional air quality improvements cannot be realized.

Proposed Solution

LC 436 would expand the allowable use of Volkswagen settlement funds to further reduce diesel engine exhaust and to meet the governor's goal of 50,000 registered electric vehicles in Oregon by 2020. This LC will allow remaining funds to be used in two ways:

- Support the installation and maintenance of light-duty electric vehicle charging infrastructure, with a focus on connecting rural Oregon and providing access to low-income communities.
- Develop a grant program to incentivize the retrofitting, replacement and repowering of old diesel-powered equipment. The LC establishes a set of criteria for the department to consider when prioritizing projects, including: small, women and minority owned business, achieving the greatest pollution reduction for the buck, improving air quality in communities disproportionately exposed to diesel exhaust and supporting the use of clean fuels.

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