

VW Settlement

Beneficiary Mitigation Plan for the State of Washington

Semi-annual Report

Background:

In 2015, the U.S. Environmental Protection Agency (EPA) issued a notice of violation to the automaker Volkswagen (VW) after it was discovered that the company illegally installed software on many of its diesel vehicles. The software allowed the vehicles to pass emissions tests when, in reality, they were emitting between 10 and 40 times the permitted levels of harmful nitrogen oxides.

These actions violated the federal Clean Air Act, violations that VW resolved in a series of settlements in 2016 and 2017. The settlements require VW to fund Environmental Mitigation Trust Agreements for State and Indian Tribe Beneficiaries. On March 15, 2017, the U.S. District Court for the Northern District of California (“the Court”) appointed Wilmington Trust, N.A. as the Trustee (the “Trustee”).

On November 3, 2017, Washington’s Governor Jay Inslee identified the Washington State Department of Ecology (Ecology) as the Lead Agency for purposes of Washington’s participation in the Environmental Mitigation Trust Agreement for State Beneficiaries (the “State Trust”). On January 29, 2018 the Trustee filed notice with the Court that Washington satisfied its filing requirements, in accordance with the State Trust agreement, identifying Washington as a State Trust beneficiary.

In accordance with the Trust agreement, the Trustee allocated Washington \$112.7M in federal settlement funds. The State Trust’s purpose is to fund environmental mitigation projects that reduce emissions of nitrogen oxides (“NOx”) where the subject vehicles were, are, or will be operated. On November 6, 2019, Washington Filed its Beneficiary Mitigation Plan with the Trustee, which lays out spending priorities and high-level principles to guide the selection of eligible mitigation projects to meet the purpose of the State Trust.

Ecology submitted Washington’s first Eligible Mitigation Action (EMA) request, that the Trustee approved, on July 19, 2019. On September 17, 2019, Ecology received its first disbursement of trust assets. In accordance with the State Trust agreement, Ecology’s first semi-annual report is due no later than six months after receiving its first disbursement of Trust Assets.

Subsequent semi-annual reports are due no later than January 31 (for the preceding six-month period of July 1 to December 31) and July 31 (for the preceding six-month period of January 1 to June 30) of each year. Ecology will report on additional projects underway with budgeted VW funds in subsequent semi-annual reports.

Summary of All Costs

Reporting Period Ending: 6/30/2025	
Running Total of Settlement Funds Received	\$27,122,574.85
Total VW Funds Budgeted	\$101,500,000.00
Total VW Funds	\$112,745,650.15

Eligible Mitigation Action Beneficiary Project ID	Total Funds Budgeted	Total Funds Received	Project Funds		Administrative Funds	
			Budgeted	Received	Budgeted	Received
Scrap & replace or repower pre-2007 diesel transit buses with all-electric transit buses <i>EMA2-Transit-C1</i>	\$15,000,000.00	\$11,722,982.73	\$13,500,000.00	\$10,802,750.00	\$1,500,000.00	\$920,232.73
Repower Jumbo Mark II Diesel Ferry with Battery Electric Power (diesel-electric hybrid) <i>EMA4-Ferries-C1</i>	\$35,000,000.00	\$ 0	\$35,000,000.00	\$ 0	\$ 0	\$ 0
Purchase and Install Workplace LD ZEV SE at Government Owned Property <i>EMA9-Workplace-C1</i>	\$2,500,000.00	\$386,190.53	\$2,250,000.00	\$335,817.85	\$250,000.00	\$50,372.68
Scrap & replace pre-2007 diesel school buses with all-electric school buses <i>EMA2-School Bus-C1</i>	\$13,000,000.00	\$11,647,896.17	\$12,000,000.00	\$11,018,678.48	\$1,000,000.00	\$629,217.69
Purchase and Install Electric Vehicle Charging Infrastructure along High-Traffic Transportation Corridors in WA <i>EMA9-Corridor-C1</i>	\$4,500,000.00	\$2,541,712.03	\$4,050,000.00	\$2,301,936.16	\$450,000.00	\$239,775.87
Shore Power for Ocean Going Vessels <i>EMA5-Shore Power-C1</i>	\$4,000,000.00	\$497,035.58	\$3,600,000.00	\$278,788.71	\$400,000.00	\$218,246.87
Washington DERA 2022: Scrap and Replace 2009 and older diesel fire apparatus with electric fire apparatus <i>EMA10-FireEngine-C2</i>	\$5,000,000.00	\$25,027.32	\$4,500,000.00	\$ 0	\$500,000.00	\$25,027.32

Scrap & Replace pre-2009 publicly owned diesel class 4-7 street sweepers and purchase and install fueling infrastructure <i>EMA6-SweepersRefuse-C2</i>	\$5,500,000.00	\$73,400.18	\$4,847,000.00	\$ 0	\$653,000.00	\$73,400.18
Scrap & replace pre-2009 publicly owned diesel class 8 street sweeper locomotives with ZEV vehicles/equipment and purchase and install charging infrastructure <i>EMA1-SweepersRefuse-C2</i>	\$5,500,000.00	\$73,400.18	\$ 4,847,000.00	\$ 0	\$ 653,000.00	\$73,400.18
Scrap & replace pre-2009 publicly owned diesel freight switcher locomotives with ZEV vehicles/equipment and purchase and install charging infrastructure <i>EMA3-Switchers-C2</i>	\$4,000,000.00	\$53,392.17	\$3,525,000.00	\$ 0	\$475,000.00	\$53,392.17
Scrap & replace pre-2009 publicly owned diesel PCHE with ZEV vehicles/equipment and purchase and install charging infrastructure <i>EMA8-PCHE-C2</i>	\$3,500,000.00	\$46,647.89	\$3,085,000.00	\$ 0	\$415,000.00	\$46,647.89
Purchase and Install Level 2 charging infrastructure for Electric Vehicles around WA <i>EMA9-Level 2-C2</i>	\$4,000,000.00	\$54,890.07	\$3,525,000.00	\$ 0	\$475,000.00	\$54,890.07
Total	\$101,500,000.00	\$27,122,574.85	\$94,729,000.00	\$24,737,971.20	\$6,771,000.00	\$2,384,603.65

Project Narrative

Active Projects

EMA Project ID: EMA2-Transit-C1	
Expected Termination Date	6/30/2025
Project Status	Ecology had grant agreements in place with five transit authorities in Washington for about \$11.8 million to purchase 42 all-electric transit buses. The transit authorities have received all 42 electric buses awarded under this grant. All grants are closed out at this time.

Summary of Costs Expended	Ecology accrued administrative costs of approximately \$41 thousand and project costs of approximately \$859 thousand during this (January - June 2025) reporting period. Ecology plans to submit for reimbursement for the period January through June 2025 in Q3 or Q4 2025.
Summary of Expenditures in the Next Reporting Period	These projects are complete and Ecology anticipates no further costs in the next (July – December 2025) reporting period.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period.

EMA Project ID: EMA4-Ferries-C1	
Expected Termination Date	12/31/2025
Project Status	Ecology has one grant agreement in place for \$35 million to convert a diesel ferry to hybrid-electric. Tasks 1 and 2 of this grant agreement, Final Design of Hybrid Propulsion and Equipment and Procurement of Hybrid Equipment/Materials, are complete. Task 3, Vessel Conversion, is 95% complete. Task 3 is expected to be completed by December 2025.
Summary of Costs Expended	Ecology did not accrue any admin costs for this period. The grant recipient did not invoice for project costs during this reporting period (January – June 2025). Ecology plans to submit for reimbursement for the period January through June 2025 in Q3 or Q4 2025.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing project costs of up to \$12.4 million in the next (July - December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	The grant agreement was extended one year due to technical issues found during vessel conversion, requiring some system redesign. The grantee intends to close out before December 30, 2025.

EMA Project ID: EMA9-Corridor-C1	
Expected Termination Date	6/30/2030
Project Status	Ecology has grants in place with 15 grantees for approximately \$3.3 million to purchase and install 44 DCFC stations along high-traffic transportation corridors in Washington. Twelve projects are complete and in their five-year reporting period. Two projects are expected to be complete Summer 2025.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$18 thousand and no project costs during this (January - June 2025) reporting period. In March 2025, Ecology received a refund from a grantee for a rescinded grant totaling \$15,040. Ecology's next request for funds from the Trustee will be reduced by \$15,040 to reflect this.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$21 thousand in the next (July - December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.

Modifications to the Project Scope/Timeline	One agreement was extended to accommodate project delays. This project has the hardware installed and is finalizing a software fix, expected to be completed summer 2025 and will then begin the required five-year reporting period. One recipient declined the award in a previous reporting period due to increased costs and local permitting requirements. They returned all previous project cost reimbursements to Ecology and this agreement is terminated.
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EMA Project ID: EMA5-Shore Power-C1	
Expected Termination Date	12/31/2024, 6/30/2027
Project Status	Ecology has two grants in place for \$3.6 million to install shore power for ocean going vessels in Seattle, WA at the Port of Seattle Terminal 18 and at Pier 66. The Pier 66 project is complete and agreement closed out. The Terminal 18 project anticipates expenditure of funds by Summer 2027 with agreement closeout to follow.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$15 thousand and project costs of \$244 thousand during this (Jan - June 2025) reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$18 thousand and no project costs in the next (July – December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	The Terminal 18 project updated their timeline to spend out grant funds by summer 2027 in the most recent reporting period.

EMA Project ID: EMA10-FireEngine-C2	
Expected Termination Date	9/30/2026
Project Status	Ecology has two grant agreements in place with fire departments in Washington utilizing approximately \$683 thousand in VW federal settlement funds to purchase two electric fire trucks. This grant program is a partnership between Ecology's VW Federal Settlement Program and Ecology's Diesel Emissions Reduction Act (DERA) Program. One of the fire departments has received their fire engine and it has been put into service as of May 2025. The other fire department has ordered their electric fire engine and are expects delivery in 2026.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$6 thousand and no project costs during this (January - June 2025) reporting period. We plan to receive a reimbursement request in the next quarter.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$7 thousand and project costs of approximately \$400 thousand in the next (July – December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.

Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period. Expected termination date has been adjusted to align with expiration of the DERA funds.
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EMA Project ID: EMA6-SweepersRefuse-C2	
Expected Termination Date	6/30/2026
Project Status	Ecology has one agreement in place for about \$1.5 million to scrap two Class 4-7 diesel refuse vehicles and street sweepers and replace them with zero emission vehicles. Grants include funds to purchase and install charging infrastructure to support the new zero emission vehicles. Charging infrastructure is 75% complete and orders for vehicles have been placed and should be delivered in the next reporting period (July – December 2025).
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$40 thousand and no project costs during this (Jan - June 2025) reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$57 thousand and no project costs in the next (July-December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period.

EMA Project ID: EMA1-SweepersRefuse-C2	
Expected Termination Date	6/30/2026
Project Status	Ecology has two grant agreements in place for approximately \$1.17 million to scrap one class 8 diesel refuse vehicle and one class 8 street sweepers and replace them with zero emission vehicles. Awards include funds to purchase and install charging equipment for the new zero emission vehicles. Both grantees have ordered their vehicles and expect delivery in 2025.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$49 thousand and no project costs during this (Jan - June 2025) reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$57 thousand and no project costs in the next (July – December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period.

EMA Project ID: EMA3-Switchers-C2	
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Expected Termination Date	6/30/2026
Project Status	Ecology has one grant agreement in place for \$3.3 million to scrap a tier 3 diesel switcher locomotive and replace it with a battery-electric switcher locomotive. The submittal due date for Request for Proposals has been extended to June 2025. Ecology anticipates the procurement process finishing in the next reporting period (July – December 2025) and equipment order to follow.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$36 thousand and no project costs during this (Jan - June 2025) Reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$42 thousand and no project costs in the next (July– December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period.

EMA Project ID: EMA8-PCHE-C2	
Expected Termination Date	6/30/2026
Project Status	Ecology has three grant agreements in place for approximately \$1.36 million to scrap and replace a total of three diesel forklifts and one diesel yard truck with electric forklifts and yard trucks. Awards include funds to purchase and install charging infrastructure to support the new equipment. One grantee has had their yard truck and charger delivered and is currently operational, the second expects delivery in October 2025 and the third received internal approvals to move forward with purchasing. Ecology anticipates orders to be placed for the remaining two electric forklifts in the next reporting period (July – December 2025).
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$31 thousand and no project costs during this (Jan - June 2025) Reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$36 thousand and up to \$311 thousand in project costs in the next (July-December 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period.

EMA Project ID: EMA9-Level 2-C2	
Expected Termination Date	6/30/2027
Project Status	Ecology designed this grant with a phased approach offering at least three rounds of grant applications. Ecology has grant agreements in place with 12 organizations to purchase and install Level 2 electric vehicle charging infrastructure from round 1 of this grant program. Two organizations declined the grant award this reporting period. Six grantees have completed work, and the remaining six are at various stages of completion

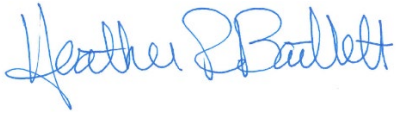
	and have requested an extension to June 30, 2026. Ecology has agreements in place with 27 organizations from round 2 of this grant program. Ecology will be opening up applications for round 3 of this program in the next (July-December 2025) reporting period.
Summary of Costs Expended	Ecology accrued administrative costs of approximately \$38 thousand and \$205 thousand during this (Jan - Jun 2025) Reporting period.
Summary of Expenditures in the Next Reporting Period	All expenditures will be on a reimbursement basis. Ecology anticipates accruing administrative costs of approximately \$41 thousand and approximately \$60 thousand in project costs in the next (July – Dec 2025) reporting period. Ecology anticipates requesting reimbursement for these costs in Q1 2026.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period. Expected termination date adjusted to account for the third round of grant funding.

Completed Projects

EMA Project ID: EMA9-Workplace-C1	
Termination Date	6/30/2023
Project Status	As of the January – June 2023 reporting period Ecology has closed out all eight agreements for about \$400 thousand. 68 level 2 plugs and one DC fast charging plug are activated and available for use.
Summary of Costs Expended	No costs were accrued for the January-June 2025 reporting period.
Summary of Expenditures in the Next Reporting Period	This grant program is now complete, no further costs will be accrued.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period. Ecology will closeout this project with the Trustee in the next reporting period.

EMA Project ID: EMA2-School Bus-C1	
Expected Termination Date	6/30/2024
Project Status	Ecology has grant agreements in place with 21 school districts for a total of approximately \$11 million to scrap and replace 37 diesel school buses with all-electric school buses. School districts have received delivery of all electric buses. All grants have now been closed out.
Summary of Costs Expended	No costs were accrued for the January-June 2025 reporting period.
Summary of Expenditures in the Next Reporting Period	This grant program is now complete, no further costs will be accrued.
Modifications to the Project Scope/Timeline	No changes to scope or timeline in this reporting period. Ecology will closeout this project with the Trustee in the next reporting period.

This report must be signed by one of Washington’s “Authorized Senior Officials”, Director Sixkiller or Deputy Director Bartlett. Both Authorized Senior Officials do not need to sign. **Only one signature is required.**

The information in this report is true and correct. Submission is made under penalty of perjury.	_____	_____
	Casey Sixkiller, Director	Date
	Washington State Department of Ecology	
	OR	
		
	_____	<u>7/30/2025</u>
	Heather R. Bartlett, Deputy Director	Date
	Washington State Department of Ecology	