

December 9, 2016

VIA EMAIL & USPS

Mark McNabb, Chief Operating Officer
Volkswagen Group of America
2200 Ferdinand Porsche Drive
Herndon, VA 20171
Email: mark.mcnabb@vw.com

Dear Mr. McNabb:

The Northeast States for Coordinated Air Use Management¹ (NESCAUM) appreciates the efforts Volkswagen's (VW's) settlement team has made to seek our input and to apprise us of VW's progress in connection with Appendix C of the partial consent decree approved on October 25, 2016. As VW develops a National ZEV Investment Plan pursuant to Appendix C, I am writing on behalf of our states to encourage VW to:

1. Invest at least \$600 million in the Northeast Corridor over the next 10 years to accelerate adoption of ZEVs in our region; and
2. Formalize a strategic Northeast Corridor partnership between the states and VW to develop a collaborative process to maximize the impact of those investments.

Our goal is to collaborate with VW to accelerate transportation electrification in the Northeast Corridor. This will include working together with VW and other partners toward making workplace and public charging the norm; providing viable charging options for residents in multi-unit dwellings and single family homes without access to off-street parking; installing ZEV infrastructure in high density areas and along travel corridors; and inspiring drivers to choose ZEVs through effective public education, outreach, and exposure to ZEV technologies.

Rationale for ZEV Investments in the Northeast Corridor:

The Northeast Corridor is a densely populated region that is poised to become one of the world's leading centers for ZEVs. Market projections indicate cumulative ZEV sales in the region will exceed 1.6 million by 2023, representing nearly 50 percent of forecasted sales

¹ NESCAUM is a non-profit association of northeast state clean air agencies and, among other things, facilitates implementation of the Multi-State ZEV Action Plan and coordinates the actions of the Multi-State ZEV Task Force.

for the entire U.S. market.² Targeted investments made possible by the VW settlement can play a central role in promoting transportation electrification at this formative stage of market development in the Northeast Corridor. VW will have a great impact on, and the nation will benefit from, strategic investment in the Northeast Corridor where robust ZEV programs are already in place, and there are on-going commitments to ZEV market acceleration and significant expenditures on market enabling initiatives.

The strategic use of VW's ZEV investment funds in the region, combined with coordinated state, utility, automaker and other investments, will complement the ZEV regulatory programs and incentive policies already in place in the Northeast Corridor states and encourage additional investments to promote ZEV deployment. Establishing a process for ongoing collaboration with the states in the Northeast Corridor will ensure that VW's ZEV investments are integrated with other efforts underway and benefit from knowledge and experience in each state.

Northeast Corridor Investments Are in Keeping with Terms of the Consent Decree

Targeted investment in the Northeast Corridor is a cost effective strategy to advance the goals set forth in Appendix C of the consent decree.³ Eight of the ten states that have adopted California's ZEV mandate (regulations requiring automakers to sell increasing numbers of ZEVs) are in this region (CT, MD, ME, MA, NJ, NY, RI, and VT). More than anywhere else in the United States, states with ZEV mandates have "a clearly existing need" for investments in ZEV infrastructure and activities to increase public awareness and exposure to ZEVs. Given the ZEV mandates and complementary policies in place in the Northeast Corridor states, as well as direct expertise of companies, fleets and municipalities in our states taking advantage of these programs, national ZEV investments directed to our region have "a high likelihood of utilization" and will undoubtedly serve to "advance the market penetration of ZEVs in the United States."

For all of these reasons, we urge VW to invest at least \$600 million in the Northeast Corridor over the next 10 years in projects to promote ZEVs. As discussed below, we commit to work collaboratively with VW to maximize the benefits of this investment, which ultimately "increases the use of ZEVs in the United States."

² NRDC projection based on "Electric Vehicle Geographic Forecasts" published by Navigant Research (2014).

³ Appendix C requires VW to explain, to the extent applicable, how each national ZEV investment: "increases the use of ZEVs in the United States; addresses a clearly existing need or supports a reasonably anticipated need; has a high likelihood of utilization and provides accessibility/availability where most needed and most likely to be regularly used; supports and/or advances the market penetration of ZEVs in the United States;" etc.

Strategic Northeast Corridor Partnership

VW's coordination with our states and key partners on a number of different levels will be vitally important to ensure that VW's investments complement other existing and planned public and private sector investments and are well-informed. Establishing a Northeast Corridor partnership between VW and states in the region will allow focused collaboration between public and private sector partners aimed at maximizing the benefit from ZEV investments.

In light of the clear need for close coordination, we propose that each Northeast Corridor state identify a key point of contact to assist with state and regional planning and implementation efforts. In addition to administrative efficiencies, VW will benefit from on-the-ground knowledge and experience in each state, and be able to take full advantage of existing programs and partnerships. In addition, VW will realize broad public support for its ZEV investments from states in the Northeast Corridor. Through this public-private partnership, states will be able to amplify the impact and importance of VW's ZEV investments through press releases and other public relations opportunities that tout the contribution of VW's investments to the success of their ZEV programs.

To launch this collaboration, we recommend holding an in-person meeting as soon as practicable. The objectives for this initial meeting would include reaching agreement on: (1) guiding principles for VW's ZEV investments in the Northeast Corridor states; (2) near-term priorities; and (3) a process to allow for ongoing collaboration, coordination, and strategic input with respect to VW's ZEV investments in the Northeast Corridor states.

NESCAUM will provide technical, policy and convening support for this collaborative effort. Other key partners will be invited to participate as well. Building on successful collaborations that have been underway for several years in our states, one or more Advisory Groups composed of key public, private and nonprofit stakeholders could be assembled to provide additional strategic input and guidance throughout the process or to inform various aspects of plan development and implementation. For instance, electric utility companies serving customers in the Northeast Corridor states will be important partners with regard to site-specific infrastructure considerations and necessary upgrade costs; service connections; customer outreach; opportunities for co-investment; etc.

To ensure early successes, the Northeast Corridor states are working with VW through NESCAUM to develop a list of ZEV investment projects that could be funded and operationalized during year one of the first 30-month investment cycle. While "quick wins" are important to show that VW can effectively and efficiently carry out the objectives of Appendix C, VW's early investments should be selected to provide a solid foundation for the strategic long-term build out of ZEV infrastructure in the region that will foster a sustainable ZEV market.

In closing, we invite VW to collaborate with our states and other key partners in the region to develop a strategic plan for ZEV investments in the Northeast Corridor states that will create efficiencies, avoid redundancies, and maximize the effectiveness of each ZEV investment. We hope that VW will take advantage of this opportunity to work proactively and cooperatively with our states, utilities, and other key partners.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur N. Marin". The signature is fluid and cursive, with the first name "Arthur" being the most prominent.

Arthur N. Marin
Executive Director

Cc: Chris Grundler, Director, Office of Transportation & Air Quality, U.S. Environmental Protection Agency (email only)
Alberto Ayala, Deputy Executive Officer, California Air Resources Board (email only)