



DEPARTMENT OF JUSTICE

NOTICE OF LODGING OF PROPOSED SECOND PARTIAL CONSENT DECREE  
UNDER THE CLEAN AIR ACT

On December 20, 2016, the Department of Justice lodged a proposed Second Partial Consent Decree with the United States District Court for the Northern District of California in the lawsuit entitled *In re: Volkswagen "Clean Diesel" Marketing, Sales Practices, and Products Liability Litigation*, Case No: MDL No. 2672 CRB (JSC), partially resolving Clean Air Act and various California claims (including under the California Health and Safety Code) against Volkswagen AG and others, concerning certain noncompliant 3.0 liter diesel vehicles.

On January 4, 2016, the United States, on behalf of the Environmental Protection Agency ("EPA") filed a complaint against Volkswagen AG, Volkswagen Group of America, Inc., Volkswagen Group of America Chattanooga Operations, LLC, Audi AG, Dr. Ing. h.c. F. Porsche AG, and Porsche Cars North America, Inc. alleging that the defendants violated Sections 203(a)(1), (2), (3)(A), and (3)(B) of the Clean Air Act ("Act"), 42 U.S.C. 7522(a)(1), (2), (3)(A), and (3)(B), with regard to approximately 500,000 model year 2009 to 2015 motor vehicles containing 2.0 liter diesel engines (2.0 Liter Subject Vehicles) and approximately 80,000 model year 2009 to 2016 motor vehicles containing 3.0 liter diesel engines (3.0 Liter Subject Vehicles). An amended complaint was filed on October 7, 2016. The United States' complaint (initial and as amended) alleges that each 2.0 and 3.0 Liter Subject Vehicle contains computer algorithms that are prohibited defeat devices that cause the emissions control system of those vehicles to perform differently during normal vehicle operation and use than during emissions testing. The complaint alleges that the defeat devices cause the vehicles, during normal vehicle operation and use, to emit levels of oxides of nitrogen ("NOx") significantly in excess of EPA-compliant

levels. The complaint seeks, among other things, injunctive relief to remedy the violations, including mitigation of excess NOx emissions, and civil penalties.

On June 27, 2016, People of the State of California (“California”), by and through the California Air Resources Board (“CARB”) and the California Attorney General filed a complaint against defendants alleging that defendants violated Cal. Health & Safety Code §§ 43016, 43017, 43151, 43152, 43153, 43205, 43211, and 43212; Cal. Code Regs. tit. 13, §§ 1903, 1961, 1961.2, 1965, 1968.2, and 2037, and 40 CFR Sections incorporated by reference in those California regulations; Cal. Bus. & Prof. Code §§ 17200 *et seq.*, 17500 *et seq.*, and 17580.5; Cal. Civ. Code § 3494; and 12 U.S.C. 5531 *et seq.*, with regard to approximately 71,000 model year 2009 to 2015 motor vehicles containing 2.0 liter diesel engines and approximately 16,000 model year 2009 to 2016 motor vehicles containing 3.0 liter diesel engines, for a total of approximately 87,000 motor vehicles. The California complaint alleges, in relevant part, that the motor vehicles contain prohibited defeat devices and have resulted in, and continue to result in, increased NOx emissions from each such vehicle significantly in excess of CARB requirements, that these vehicles have resulted in the creation of a public nuisance, and that defendants engaged in related conduct that violated unfair competition, false advertising, and consumer protection laws.

On June 28, 2016, the United States lodged a Partial Consent Decree, Dkt. No. 1605-1 (“First Partial Consent Decree”), concerning the 2.0 Liter Subject Vehicles, which was entered into by the United States, California, and certain defendants (Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., and Volkswagen Group of America Chattanooga Operations, LLC). The First Partial Consent Decree was entered by this Court on October 25, 2016, Dkt. No. 2103, and may be viewed here: <http://www.cand.uscourts.gov/crb/vwmdl>.

This Second Partial Consent Decree (“Decree”) is entered into between the United States,

California, and all defendants (collectively, “Volkswagen”). The Decree partially resolves the governments’ claims for injunctive relief with respect to the 3.0 Liter Subject Vehicles, by providing remedies for the cars on the road and the environmental harm from the violations. It does not address plaintiffs’ claims, *inter alia*, for prospective injunctive relief to prevent future violations of the same type that are alleged in the complaints or claims for civil penalties.

Under the Decree, Volkswagen must perform two vehicle recalls as follows (with all capitalized terms as defined in Appendix A of the Decree (Buyback, Lease Termination, Vehicle Modification, and Emissions Compliant Recall Program):

First, for Generation 1.x 3.0 Liter Subject Vehicles, Volkswagen must offer all Eligible Owners and Lessees of these vehicles the Buyback or the Lease Termination under terms described in Appendix A. In addition, if approved by EPA/CARB, Volkswagen may, in accordance with the requirements specified in Appendix B of the Decree (Vehicle Recall and Emissions Modification Program for 3.0 Liter Subject Vehicles), offer for Eligible Vehicles the option of a modification to substantially reduce NO<sub>x</sub> emissions in accordance with standards established by EPA/CARB in the Decree.

Second, for Generation 2.x 3.0 Liter Subject Vehicles, if proposed by Volkswagen and approved by EPA/CARB, Volkswagen must offer an Emissions Compliant Recall as set forth in Appendix A to bring these vehicles into compliance with their Certified Exhaust Emission Standards in accordance with the requirements specified in Appendix B. If Volkswagen is unable to effect a recall that meets Certified Exhaust Emission Standards for a particular Test Group or Groups of Generation 2.x 3.0 Liter Subject Vehicles in accordance with the requirements specified in Appendix B, Volkswagen must offer all Eligible Owners and Lessees of such vehicles the Buyback or

Lease Termination, under terms described in Appendix A, and may, if proposed by Volkswagen and approved by EPA/CARB, consistent with the provisions in Appendix B, offer to modify such vehicles to substantially reduce their NOx emissions in accordance with standards established by EPA/CARB in this Consent Decree.

*See Decree ¶¶ 9-15; Appendices A and B.*

Volkswagen must achieve a recall rate (through the buyback, lease termination, scrapped vehicles, the Emissions Compliant Recall, and any other approved vehicle modification options) of 85% by November 30, 2019 for the Generation 1.x 3.0 Liter Subject Vehicles, and by May 31, 2020 for the Generation 2.x 3.0 Liter Subject Vehicles. If it fails to do so, Volkswagen must augment the mitigation trust fund discussed below by \$5.5 million for each 1% that it falls short of the 85% rate for the Generation 1.x 3.0 Liter Subject Vehicles, and by \$21 million for each 1% that it falls short of the 85% rate for the Generation 2.x 3.0 Liter Subject Vehicles.

Volkswagen must also achieve a separate 85% recall rate for vehicles in California, and must pay to the mitigation trust (solely for mitigation projects in California) \$900,000 for each 1% that it falls short of this target for the California Generation 1.x 3.0 Liter Subject Vehicles in and \$5.5 million for each 1% that it falls short of the 85% rate for the California Generation 2.x 3.0 Liter Subject Vehicles. *See Decree ¶¶ 10-11,13; Appendix A ¶¶ 10.1-10.3.*

In connection with the buyback, in accordance with Appendix A, Volkswagen must pay Eligible Owners no less than the cost of the retail purchase of a comparable replacement vehicle of similar value, condition and mileage as of November 2, 2015 (“Retail Replacement Value”). *See Decree ¶ 12; Appendix A ¶¶ 2.4, 2.23, 4.1, 7.1 and Appendix A-1.* The buyback/lease termination program under the Decree remains open for two years after the Decree’s Effective Date in the case of Generation 1.x vehicles and two years from the date offers first become

available for the applicable vehicles in the case of Generation 2.x vehicles. *See* Decree Section IV.A and Appendix A ¶¶ 4.3, 7.3. If EPA and CARB approve an emissions modification or Emissions Compliant Recall, Volkswagen must offer it to consumers indefinitely. *See* Decree ¶ 94; Appendix A ¶¶ 5.2, 6.2, 8.2.

In addition, under the Decree, Volkswagen must make a payment of \$225 million into the Mitigation Trust Fund that will be established under the First Partial Consent Decree. *See* Decree ¶ 17. Consistent with the use of the funds established by the First Partial Consent Decree, these funds will also be allocated to states, Puerto Rico, the District of Columbia, and Indian tribes who become Beneficiaries to perform specified NOx mitigation projects. This amount is expected to fund projects to fully mitigate the total, lifetime excess emissions from the 3.0 Liter Subject Vehicles. *See* Decree, p. 5, ¶ 6. The trust will be administered by a trustee to be selected in accordance with the First Partial Consent Decree.

The publication of this notice opens a period for public comment on the Second Partial Consent Decree. Comments concerning the Decree should be addressed to the Assistant Attorney General, Environment and Natural Resources Division and should refer to *In re: Volkswagen “Clean Diesel” Marketing, Sales Practices, and Products Liability Litigation*, Case No: MDL No. 2672 CRB (JSC), and D.J. Ref. No. 90-5-2-1-11386.

All comments must be submitted no later than thirty (30) days after the publication date of this notice. Comments may be submitted either by e-mail or by mail:

<i>To submit comments:</i>	<i>Send them to:</i>
By e-mail	pubcomment-ees.enrd@usdoj.gov

By mail	Assistant Attorney General U.S. DOJ – ENRD P.O. Box 7611 Washington, D.C. 20044-7611
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The Second Partial Consent Decree may be viewed and downloaded from <http://www.cand.uscourts.gov/crb/vwmdl>. During the public comment period, the Partial Consent Decree may also be examined and downloaded at this Justice Department website: <https://www.justice.gov/enrd/consent-decrees>. We will provide a paper copy of the Partial Consent Decree upon written request and payment of reproduction costs. Please mail your request and payment to:

Consent Decree Library  
U.S. DOJ – ENRD  
P.O. Box 7611  
Washington, D.C. 20044-7611

For the entire Second Partial Consent Decree and its appendices, please enclose a check or money order for \$40.25 (25 cents per page reproduction cost) payable to the United States Treasury. For a copy of certain portions of the Second Partial Consent Decree, please designate which portions are requested, and provide the appropriate amount of money. For the Second Partial Consent Decree without the exhibits and signature pages, the cost is \$13.25 (with signature pages, \$16.50). For Appendix A, the cost is \$8.50. For Appendix B, the cost is \$15.25. For the Mitigation Appendix, the cost is \$.25.

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