

EXHIBIT CC

EXPLANATION OF CARB SEP PROGRAM

To Audi CO2 Cy Pres Settlement Fund:

Subject: California Air Resources Board Supplemental Environmental Projects

The State of California Air Resources Board (CARB) was asked if there were projects that may be candidates for the Court's consideration for cy pres settlement monies. For decades, CARB has solicited projects from third parties for its Supplemental Environmental Projects program. Recently, we reviewed the currently available projects and recommend to the Court those listed in the enclosed spreadsheet, totaling almost \$4 million. CARB believes that these projects are well-suited to address the subject matter of the settlement and the pollution arising from those violations.

As background, CARB's enforcement program is designed to identify those responsible for violations of California air quality regulations and to bring them into compliance. As a condition of settlement, CARB requires the violator to achieve and maintain compliance with air quality laws and regulations, and to pay a monetary civil penalty. Penalties are designed to remove any economic benefit a responsible party obtained through noncompliance and to deter future violations across the industry.

State law encourages CARB to allow a violator to satisfy up to 50 percent of a monetary penalty by voluntarily funding one or more Supplemental Environmental Projects (SEPs). A SEP is a project not otherwise required by law or regulation that benefits air quality by reducing emissions, reducing exposure to air pollution, or preventing future air quality violations. The purpose of the CARB SEP program is to help mitigate the harm caused by air pollution violations by funding SEPs that directly benefit the low-income, communities of color that are most disproportionately impacted by air pollution.

For the SEP program, CARB continuously solicits applications for environmentally beneficial projects in communities from non-profit organizations. These applications are reviewed by CARB staff to determine if they meet our minimum policy requirements to be considered eligible for funding. SEPs must further CARB's purpose of cleaning up the air by (a) reducing the risk burden posed to public health, (b) preventing future air quality problems beyond those addressed in current air quality programs, or (c) improving the environment. SEPs must also have a nexus to the violation either through location or through pollutant type; must not benefit the violator; must go beyond regulatory requirements that are imposed by federal, state, and local entities; and be technically, economically, and legally feasible.

Once determined to meet CARB's policy requirements, SEPs are publicly listed and are eligible for funding through the enforcement process. These projects may be selected by

responsible parties subject to CARB enforcement, or by other organizations wishing to fund them.

The projects presented to Audi CO2 Cy Pres Settlement Fund comply with all the eligibility elements listed above, have been reviewed for compliance with CARB's SEP policy, and, in our view, fit into the parameters of this case. These projects provide asthma related healthcare, environmental and health education, air monitoring, and air filtration projects that will provide direct and indirect benefits to local communities across California.

Should you have additional questions or comments please do not hesitate to contact me at: ellen.peter@arb.ca.gov.

Sincerely,



Ellen M. Peter, Chief Counsel

Enclosures – spreadsheet of projects and material for each project