VOLKSWAGEN

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Lisa Jackson
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Honorable Ray LaHood
Secretary of Transportation
1200 New Jersey Avenue, SE, 9th Floor
Washington, DC 20590

May 17, 2009

Dear Administrator Jackson and Secretary LaHood:

Volkswagen Group of America, Inc. ("Volkswagen") recognizes the benefit for the country of a National Program to address GHG and fuel economy and the historic announcement by EPA and NHTSA's to jointly propose a rule to set standards for both. Volkswagen fully supports the proposal and adoption of such a National Program, which it understands will be subject to full notice-and-comment rulemaking, affording all interested parties including Volkswagen the right to participate fully, comment, and submit information, the results of which are not pre-determined but depend upon processes set by law. Volkswagen fully supports the proposal and adoption of such a National Program. Volkswagen welcomes this opportunity to be a partner in helping to advance a harmonized National Program. Volkswagen also commits to working with EPA and NHTSA, the states, and other stakeholders to help our country address global climate change and the need to reduce oil consumption by developing this kind of strong, coordinated National Program for the model years after 2016.

In order to promote the adoption of the National Program, Volkswagen commits to take the following actions, subject to the understandings described below. Volkswagen also stands ready to enter into any appropriate agreements to effectuate these commitments.

(1) Volkswagen commits to take appropriate action within its authority to have all pending litigation in the various state courts, U.S. District Courts and U.S. Circuit Courts of Appeals challenging California's regulation of GHG emissions, including litigation concerning preemption under EPCA of California's and other states' GHG standards stayed upon issuance of the May, 2009 Notice of Intent to conduct rulemaking, including instructing (to the fullest extent of its voting rights) the trade associations which are parties to the pending litigation to request that such litigation be stayed.

(2) Volkswagen commits to take appropriate action within its authority to have all such litigation dismissed (and not to renew any such litigation with respect to MYs 2009-2016), including instructing (to the fullest extent of its voting rights) the trade associations which are parties to the pending litigation to request that such litigation

be dismissed (and not to renew any such litigation with respect to MYs 2009-2016), if (i) EPA proposes national GHG standards and NHTSA proposes CAFE standards for MY 2012-2016 as substantially described in the May, 2009 Notice of Intent to conduct rulemaking, (ii) California takes the following two actions, in a manner that is binding on states that adopt and enforce California's GHG standards under CAA section 177:

(a) California revises its standards on GHG emissions from new motor vehicles for MYs 2009 through 2011, such that compliance with the standards can be demonstrated based on the GHG emissions from the fleet of vehicles sold in California and the states that adopt and enforce California's GHG emissions standards under section 177 of the CAA. This would expand the averaging pool for compliance purposes from the fleet of vehicles sold in California to the larger fleet of vehicles sold in California and these other states;

(b) California revises its standards on GHG emissions from new motor vehicles for MYs 2012 through 2016, such that compliance with the GHG emissions standards adopted by EPA shall be deemed compliance with the California GHG emissions standards; and

(iii) California confirms that under its standards for GHG emissions from new motor vehicles for MYs 2009 through 2011 – manufacturers have the right under California's current regulations to use data generated by the CAFE test procedures, vehicle selection, and other testing protocols to demonstrate compliance. If California does not make such confirmation, then California revises its standards to this effect. In addition, California confirms that a 45 day condition on the MY 2009 Executive Orders means that if a waiver is granted under CAA section 209, then a manufacturer has to be in compliance with all of the data submission or other requirements, related to issuance of the Executive Order, that would have applied on or before that 45 day date if the waiver had been granted previously. This does not accelerate in any way any other requirements under the regulations, for example manufacturers can continue to provide CAFE test data after that date and through the year under the CAFE testing protocols, and do not need to demonstrate compliance with the annual average until after the end of the year.

(3) Volkswagen commits that it will not contest any final decision by EPA granting California's request for a waiver of preemption under section 209 of the CAA for its GHG emissions standards for motor vehicles for MYs 2009-2016, if California revises its regulations as described above.

(4) If EPA proposes national GHG standards and NHTSA proposes CAFE standards for MY 2012-2016 as substantially described in the May, 2009 Notice, and the agencies adopt standards as substantially proposed, Volkswagen will not contest these rules.

Volkswagen believes that the actions discussed in the letter could occur under a timeline as follows:

EPA and DOT issue the Notice of Intent and various companies and other parties stay pending litigation;

EPA makes a final decision upon reconsideration of California's request for a waiver;

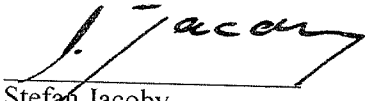
EPA and DOT issue a Notice of Proposed Rulemaking;

California issues a final rule that revises its regulations;

Companies dismiss pending litigation upon final adoption of regulatory changes by California; and

EPA and DOT issue a Notice of Final Rulemaking.

Sincerely,



Stefan Jacoby
President and Chief Executive Officer