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Exclusive: U.S. Cash For Clunkers Paid $20.7 Million For Volkswagen Diesels With Faked Emissions

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Cash for Clunkers—the $3 billion U.S. government program from 2009 designed to boost the auto industry by spurring sales of fuel-efficient vehicles—spent $20.6 million helping buyers of Volkswagen diesel cars and wagons now under fire for software that faked their emission tests.

A Yahoo Autos analysis of the 690,114 vehicle sales covered by the program found that the U.S. government provided $4,500 rebates on 4,599 VW Jettas and Jetta Sportswagens now under recall. Those models, from the 2009 and 2010 model year equipped with the 2-liter turbodiesel, were highly popular in some areas because their high mileage ratings qualified them for the largest rebate under Cash for Clunkers.

The program, launched as the industry struggled in the midst of soaring gas prices and the great recession, allowed owners of older gas-guzzlers to trade into more fuel-efficient models as long as the old car was destroyed, with a $3,500 or $4,500 credit on the new purchase depending on its fuel efficiency. After the first $1 billion was claimed in a matter of days in July 2009, Congress and President Barack Obama rushed through an additional $2 billion, and the program ended in August 2009. The credits were paid to dealers, who marked down the prices paid to buyers.

“More American consumers will have the chance to purchase newer, more fuel efficient cars and the American economy will continue to get a much-needed boost,” Obama said when signing the $2 billion extension.

In September of that year, VW touted its success under the program the month before, saying it had a “sold-out situation of our model year 2009 TDI inventory.” A month later, HybridCars.com quoted a VW executive saying there were still long waiting lists for diesel Jetta Sportswagens in California.

In the years since the program, academics have hotly debated whether it actually made economic sense, with several saying the ecological benefits were far less than the costs to taxpayers. At the time, there was little debate about whether to include diesels like the VW Jetta at all, since the focus of the program was on fuel efficiency; those editions of the Jetta diesel were rated for up to 34 mpg in combined city/highway driving.

“We didn’t believe cash-for-clunkers money should’ve gone to buy new diesels,” said Dan Becker, director of the Safe Climate Campaign who lobbied Congress for tougher environmental rules in the program. “

Earlier this week, another analysis by The Los Angeles Times estimated that the government had also provided up to $51.5 million in tax credits to VW diesel buyers under a separate fuel-efficiency promotion. Since the U.S. Internal Revenue Service does not release detailed data on that program, it’s not known how many VW diesel owners actually claimed the credit.

The U.S. Environmental Protection Agency has said 482,000 VW diesels sold between 2009 and 2015 had software designed to meet emission tests but spew illegal levels of smog-forming nitrogen oxides at all other times. VW has said the issue affects 11 million vehicles worldwide. Under federal law, VW could be liable for $18 billion in penalties, but it’s likely that the EPA will use the potential of huge fines as leverage in a settlement with the German automaker.

The U.S. Department of Justice and several state attorneys general have also launched their own criminal probes of VW. The automaker’s CEO, Martin Winterkorn, resigned Wednesday, and other executives are expected to be fired as soon as today. VW has pledged to bring the cars into compliance, and has set aside $7.3 billion to pay for the scandal.

Becker says it shouldn’t be out of the question that VW might have to buy back the vehicles in question at full price, or that whatever penalty regulators come up with inflict some real pain on one of the world’s largest automakers.

“This is not an isolated incident,” Becker said, noting other cases where automakers and engine builders were caught breaking EPA rules. “We need to make clear that automakers can’t just write this off as a cost of doing business.”

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