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Berkeley Center for Law,
Business and the Economy

University of California, Berkeley
School of Law
2850 Telegraph Ave, Suite 500
Berkeley, CA 94705-7220

Ph: 510.642.0532 – Fax: 510.643.7095
E-mail: BCLBE@law.berkeley.edu
http://www.law.berkeley.edu/bclbe.htm

Volkswagen Braces for "Dieselgate" Fallout

By Madisson Goorman, J.D. Candidate 2018 | October 2, 2015

On September 19, 2015 the Environmental Protection Agency (EPA) called for a recall of almost 500,000 Volkswagen (VW) diesel powered cars, after finding these cars contain software that manipulates results for standard emissions tests. In its report, the EPA states that this software "allowed Volkswagen vehicles to spew as much as 40 times the pollution allowed under the Clean Air Act." On Tuesday, VW disclosed that 11 million cars have this software, suggesting that there is a possibility for a global recall.

Since this announcement there have already been 16 class actions filed against VW in the United States. These suits "include claims for breach of warranty and fraud by concealment as well as various state consumer protection laws."

While VW has set aside $7.27 billion in order to cover costs related to "dieselgate," the company is facing fines that total about $18 billion in the United States alone. For each of the 482,000 cars involved in this recall VW faces a maximum of a $37,500 fine in the US. VW's problems are not isolated to the United States, other countries such as Germany, India, Australia, Norway, and South Korea have all come forward stating that they will investigate possible emissions violations from VW cars in their countries as well.

The financial damage from the EPA's report is already been visible in the 20% drop in VW's stock last week. In addition, this incident could dramatically impact the economy in Germany as VW is the largest German corporation and many of the jobs within the country are connected to the auto industry. The impact will be easier to assess once it is clear just how many cars are found to violate emissions standards in the United States and globally.

In response to this scandal VW's chief executive, Martin Winterkorn, resigned and has since been replaced by Matthias Muller, the head of Porsche.