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Volkswagen Woes Continue as Emissions Issues Spread to Gasoline Cars

By Molly Pon J.D. Candidate 2017 | November 6, 2015

On Tuesday, Volkswagen AG announced that it found misstated emissions readings in gasoline-powered cars for the first time. The announcement widened the crisis that had so far focused only on diesel-powered vehicles and marked the first time carbon-dioxide emissions had been brought under fire.

The scandal first emerged in September, when Volkswagen admitted they had been deceiving U.S. pollutions tests with illegal software for years. In response to the discovery, stock price has plummeted by more than a third and the company has made significant leadership changes.

In this latest revelation, Volkswagen said that an internal probe showed "unexplained inconsistencies" in carbon-dioxide output affecting possibly 800,000 gasoline-powered cars. This number is on top of the estimated 11 million diesel vehicles Volkswagen admitted were outfitted with deceptive software. Before the issues expanded to gasoline-powered cars, Volkswagen had estimated the scandal would cost them €6.7 billion. The addition of the problems with gasoline-powered vehicles will cost the company an additional €2 billion or $2.2 billion in possible financial penalties.

These sums are set aside to pay for financial penalties the company will incur to pay back tax breaks that were granted for cars with low carbon dioxide emissions. However, additional lawsuits from investors and car owners are likely to cost the company billions of dollars more than their current estimates.

Tuesday's disclosure came just a day after the U.S. Environmental Protection Agency alleged it found the illegal software on additional luxury diesel-engine vehicles. Specifically, the E.P.A. said that the Porsche Cayenne SUVs were programmed to cheat on nitrogen oxide emissions. Volkswagen disputed the accusation, but stopped selling 2014-16 Cayennes "in view of the unexpected U.S. E.P.A. notice."

The E.P.A. allegations and new disclosure increase the pressure on Volkswagen's new chief executive, Matthias Müller, who replaced Martin Winterkon after he resigned in response to the E.P.A.'s first set of disclosures. The E.P.A. allegations raise questions about Mr. Müller, as he was the head of the Porsche division during the model years now in question. Any further hint of future deception could jeopardize his position. He denies any knowledge of faulty emission software.

It's unclear how the scandal will evolve, but Volkswagen has hired the American law firm Jones Day to conduct an internal inquiry into how the software was installed. Thus far Volkswagen hasn't explained who is responsible for the software or what process led to its implementation.