SPECIAL PRESENTATION:

"THE RESURGENCE OF PROGRESSIVE GOVERNANCE: A VIEW FROM THE WEST"

INTRODUCTION:

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FEATURING:

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(D-MT)

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GOV. SCHWEITZER: – rapidly retrain young people and adults for emerging new jobs, moving away from just the natural resource extracting industry into value-added ventures, biotech, and information technologies. We've got to have the capabilities of retraining adults and training young people for emerging jobs. That's how we will be competitive with not only Idaho and Colorado, but Indian and China.

And so we put a lot of money in the colleges of technologies, and I'm a big believer. But I was at a Western Governors Association meeting and we had a roundtable discussion of educators – world renowned educators, and each one of them gave us their perspective. First the person who was a specialist in K through 8, then 9 through 12, then the two-year programs, community colleges, colleges of technology, and then the university system – four different experts; four different perspectives. And as a governor, I listen to a lot of experts with a lot of perspectives all the time, but at the end of the day, governors have to decide what wins and what loses. You just can't make new money.

So when they got all done, I said, "Tell you what, folks, I'm going to make you governor for the day. Here's a pie chart. Here's a pie chart. On that pie chart is the dollars that each of our states spend on education. You don't get any new money. You shift the lines. Where are you going to put the money? More into the university system? More in two-year programs? More 9 through 12? More K through 8?" And I think every governor in the room except for one, Janet Napolitano, knew that the answer would be that they were doing it right by putting more money in two-year institutions so they could rapidly attract new businesses, so they could compete with the rest of the world. But all four of those experts had a different perspective. All four of them said put more money in kindergarten – more money in kindergarten. Can you imagine that? Somebody who's a proponent from a university and two-year programs, 9 through 12 – everybody: put more money in kindergarten.

So in addition to what we did in the education field in the last legislative agenda, I am going to hogtie, break arms, twist noses until Montana has full-day kindergarten for every single child. That's the way we're going to move Montana's economy. That's the way we'll move this country and be competitive around the world.

We did pass something that no one else in this country: Indian education for all. Seven percent of Montana is Indian, and they've been there a long time as it turns out: 12,000 years. And yet in Montana history programs, for those of you who studied in Montana, there is a full year study of Montana history, and of that 99 percent of it is the history of Montana after Lewis and Clark stumbled up the river with Sacagawea to make their way to the Pacific, but now we have put money in Indian education for all. We have put money in our tribal colleges to write their own story – their own history, the rich cultural history of the Salish, the Kutenai, the Crow, the Cheyenne, the Assiniboine, Blackfeet – because we don't want somebody at the Smithsonian telling students in Montana the history of the first Montanans. We want the first Montanans to tell that

story.

And so now in Montana – the only place in the nation – every single school child in Montana will know and learn the rich cultural history of the first Montanans. Because if we don't start at an early age – if we don't start when they're seven or eight, we cannot bring that into their heart when they're 33. When people are young, they will begin to appreciate their neighbors, they'll understand each other's cultures, they'll be believers in each other's economic development and potential. So that's why we've invested in Indian education for all. For the first time in the history we fly the tribal flags. All of our nations, our Indian nations in Montana, were nations before Montana was even a territory, and yet at our capital from one end to the other you didn't see the tribal flags. Today for the first time in history those tribal flags fly.

We appreciate government-to-government relations, so of course I invite the Indian nations into our government. In fact, I have more Indian people working for me in my administration than all 22 governors combined before me. But it's not just bringing Indian people into the government; it's listening, so I spend time on the road. I go out to Indian nations. I meet in tribal councils. Because government-to-government doesn't mean you come to Helena; it means I go to your tribal headquarters. And I've learned some remarkable things. Let me tell you some of them.

Just to give you a little backdrop, 7 percent of Montana is Indian, 20 percent of the people in our corrections system are Indian, and so corrections is a big problem wherever I go in Indian country. The way it works in Indian country is pretty straightforward. You know how it works. If you're a young Indian – if you're 19 years old and you're driving around with your buddies in a pickup and you have a 12-pack of beer, it's a little icy, and you roll the pickup and you weren't seatbelts and your best friend is thrown out of the car, there will be a very short trial with a very certain result. You will be found guilty of something very bad and then you will be sent to Deer Lodge for a period of two to four years. And then you will be in a frequent flier program in and out of the corrections system the rest of your life because for a two-year period you've got a graduate program in all the bad white ways, in addition to some of the bad tricks you learned at home.

So I was with the Black Feet tribal council, and this is something that I will never forget. We were talking about corrections. It was a big room like this with the tribal council over here, and it was the – probably 300 people from the Blackfeet Nation were there. We were talking about corrections. I was answering questions about pre-release and all the rest of the things that we go through in Montana. So finally I said this: "Let me ask you a question. What did you do with your young people for the 12,000 years before we showed up? Surely you had some problems in particular with the young men. I mean we all do – all of our cultures. What did you do?" And one of the elders got up. She stepped forward, and in Indian culture the respect for elders is substantially greater than we have in ours. She's not an elected official. She's just one that is recognized as one who is older with wisdom. And she came to the front so I could hear her. And she said – nodded her head first – "We sent them to crazy dog."

"Excuse me?"

"We sent them to crazy dog."

"What's crazy dog," I say?

"Oh, crazy dog. When young people make trouble for the clan, we send them away to another place where they live with elders and a medicine man until such a time as their heart has been turned and they're ready to come home." Crazy dog? We're supposed to have a system like that, but that isn't working.

So on the trip back to Helena I got on the phone, called our federal judge, called our director of corrections, asked them if they'd ever heard of something called crazy dog. No. Never heard of crazy dog. So I started doing a little investigating. And it turns out that both Saskatchewan and Manitoba have been using crazy dog for 20 years. And crazy dog works like this. You've got 60 percent unemployment in Indian country. Our pre-release and corrections system doesn't work for Indian folks. So why not? Why not have mentors from their own community? Why not send them away from their own clan, put them on a separate place on the reservation where they will be counseled by members of their own clan until such a time as their heart is turned? So in Montana we are beginning with crazy dog. And if this works, it just might work all through Indian country all over America, and I can't imagine what might happen in the inner city if crazy dog would work there as well. So making the first Montanans part of the first solution: it's a good step.

Tobacco. A state like Montana – Marlboro Man. What we did is we banned tobacco in all our bars and restaurants and we put a $1-per-pack tax on tobacco, and that money is invested in healthcare. That's why if you're a small business, Montana leads the nation in the percent of our population who works for somebody who employs ten or fewer, if you work for one of those businesses, now you can be in this pool that we were talking about and these tobacco dollars we were talking about will help that small business owner pay for a portion of the cost of that health insurance, about 50 percent. So you see, it isn't just about big business because big business has pooling capabilities and they can afford to insure. And probably more than anything, what we've done is we have given hope and opportunity to people who thought they'd like to start a business. People who work for somebody else, they have a new idea, they know that they could be successful, and they talk about it with their spouse and then they look at their three children and they say, but how – what – the insurance – we better stay where we're at.

So when you give people the opportunity to jump and know they have a parachute, it makes a big difference. Investing in small business. We eliminated the business equipment tax for 13,000 small businesses so that small businesses would have the opportunity to launch and be successful.

We passed a country-of-origin labeling bill. Now, you big shots in Washington,

D.C., probably don't pay much attention to this sort of thing, but Congress some six years ago started passing country-of-origin labeling. As we look around the room, I'm seeing all of you wearing these expensive clothes and even cheap tennis shoes. But it doesn't matter where those clothes were made. It says on them by law where they were made. And that camera, the law says you have to put where it was made. The TV, this podium, this cup, someplace, wherever it – no, this was homemade. That's why it's got a crack in it. (Laughter.) Now, everything in America but food, the most precious thing you bring into your home, the multinational food companies have lobbied against having the opportunity of saying where that food was made, because even Budweiser doesn't want you to know that just because that can is red, white and blue, that the ingredients didn't 100 percent come from the United States.

Now, farmers, like myself – farmers in Montana, farmers across America, we know that we produce the safest food product in the world. And we also know that if you the consumer had an opportunity you would pick American-grown and made food every time, but Congresses passes the bill but refuses to enforce it. So Montana stepped up and we said, all right, if you don't do your job, we'll do it for you. We passed a country-of-origin labeling, and October 1 of this year when you walk into anyplace that sells meat in Montana, it'll tell you, made in Montana, made in America, or made someplace else, and we'll let you choose what you'd like to buy.

We thought it was important that a place like Montana, the windiest place in America, more natural wind resources than anyplace in America – we thought it was important to find a way of capturing that wind. Before I got to Helena, we were in last place in production of wind energy – last place. We were behind Rhode Island. Now, Rhode Island isn't even the size of decent-sized ranch in Montana (laughter) and yet they were producing more wind power than us. So we passed a renewable energy standard so that by the year 2010, 10 percent of the electricity in our portfolio will be wind, and by 2015 it'll be 15 percent, and all of the Republicans were outraged. Oh my gosh, it's going to make the price of electricity go up, and this is the kind of energy that doesn't work, and why would a state like Montana with 35 percent of the coal in the United States – why would we be – we have gas, we have oil; why would want wind power?

Well, we passed that bill anyway and within a few months the first big project was built. I cut the ribbon on it. And today, already – already in less than a year, we're producing 8.5 percent of our electricity portfolio with wind, and that was a $200 million investment, and we have wind operators coming from all over the world to invest in Montana, and we'll have a billion dollars more worth of wind projects built in Montana during the next couple of years. Not a bad start. We invested in ethanol. We invested in biodiesel. So we said, okay, we need a balanced energy portfolio. I think that's what the president said, right? Something about switch grass or – you know. Boy, wasn't that something. (Laughter.) But we told him how we're going to do it, and we invested in it. Because it takes more than the words, right? It takes more than the words to pour concrete and to put steel together, so that's what we've done.

So we had a progressive legislative session. Again, I'm going to submit to you it

was the most progressive in America. And an interesting thing happened along the way: these Republicans who voted against this stuff, they're not very popular back home. And I warned them one by one. When they would vote against this agenda, I'd bring them into my office and I'd say, I'm going to have to go to your hometown and tell your newspaper what you did, and they called me a bully. (Laughter.) So I've been to all 56 counties this year. No other governor has ever made it to all 56 county courthouses in a four-year period. I went to every single one of them, and I went to every one of those communities and I called them out and said, oh – I'd show up at a meeting like this and there would be a Republican legislator there and I'd talk about all the things that happened, and then I'd say, "Oh, by the way, Tim didn't vote for it." They'd look at him. (Laughter.) Imagine being in farm country and pointing at Tim and saying, "He didn't support ethanol, didn't support wind power, didn't support country-of-origin labeling." And by the time I left town, they were getting the tar warmed up and the feathers plucked. (Laughter.)

(Cell phone rings.) I'm sure this is my mom. (Laughter.) One of the women who tell me what to do. No, it's my wife.

And by the way, my wife is a saint. Last night we had dinner at the White House. The governors were invited in, and so they place you at various places and various tables. And so Nancy had a different table than me and I had a different table than she, and when we got seated I looked over to see who was sitting beside Nancy. Swear to God, Dick Cheney, "old straight-shooter" himself (laughter) on one side of my beautiful wife, and on the other side, "the architect," Karl Rove. (Laughter.) She enjoyed the meal. (Laughter.)

I said to you that on the day that I sworn in, I threw the key in the garbage, and invited the press along. Let me tell you about my second day in office. My second day in office, I got on a National Guard helicopter and I rode that to far northwest Montana, because, you see, there was a funeral to go to. It was a young man whose father actually came to the funeral in leg irons. He was in the Montana State Prison. His mother had been in and out of the corrections system. When Hillary Clinton said, it takes a village, this village literally – this village of 500 people literally raised this boy. To listen to his soccer coach, baseball coach, his 3rd grade teacher, his 7th grade teacher, it wasn't his family that kept him out of trouble and got him through high school, it was his community. And during that funeral as the community was speaking about this young man, I was very silent. I listened. And I've been to several more funerals.

Let me tell you what I do at every one of those funerals. I recommit myself with every ounce of energy in my being that the next generation will not be sent to some foreign land to subjugate an oilfield. There (won't?) be Venezuela next and then Nigeria and Angola or Iran. We're not going to one of the countries that end with "stan" because if we don't produce our own domestic energy, if we don't create new systems of conservation, we will be beholden to those dictators and crooks for generations to come. And so that's why every day – every day I commit myself to all the systems that we could use.

Let me show you some of them. Here we have – oh, this is some good stuff. You know soybeans. Soybeans can make biodiesel. You know that. We have other crops. Soybeans only grown in the Midwest, basically in the Corn Belt. But if you get outside the Midwest, you get to the southwest, California, safflower, beautiful crop to make biodiesel. And then canola, which is a – many of you know it's a mustard, flax relative that was bred in Canada to produce an edible oil. We also grow that in the northern Great Plains. And here's one. Her name – well, she's my new girlfriend. Her name is camalina. Get used to that name. It's a wonderful crop. And all of them will produce biodiesel. This is biodiesel, made in Montana. You can put this biodiesel directly into a diesel tank and that diesel tank will run right now on biodiesel. We can produce ethanol.

Let me go through these biofuels so that you know exactly where we stand. Ethanol, there is a positive net sum in energy with ethanol. It's not great. I've got to be frank with you. I'm a supporter of ethanol, but biodiesel is a stronger option.

You know how they are in Washington, D.C. From time to time they like to come out and listen to folks – listen. You know, they have listening. So the deputy secretary of agriculture came to Montana three months ago and he wanted to hear from Montana agribusiness what should be in the next agricultural bill. Now, I'm an agricultural scientist, I'm a farmer, and I'm the governor of Montana, so I went first. (Laughter.) So I stepped to the microphone and I said, "Mr. Secretary, 58 percent of all of the wheat grown in America is exported; 34 percent of the soybeans; and 18 percent of the corn. These three crops, just the export portion, the taxpayers of America subsidize to the tune of $10 billion. Now, farmers work for 364 days to produce that crop, and on the 365th day they put that crop on a railroad and hand 35 percent of the value of the crop to the railroad. Then the railroad ships it all the way across the country, puts it on a boat, and a multinational grain company ships that commodity to the third world. Now, when it arrives in the third world, whether that be in Africa or Asia, Latin America, it will arrive at a price that is so low, because we've subsidized it, that it puts their local farmers out of business." Okay.

In the meantime I told him while I was in Saudi Arabia – many of you know I worked in Saudi Arabia. I developed irrigation systems. I was there for six years. I went there in 1980 because the king of Saudi Arabia, a Bedouin – really, one generation from just living in the tent – during the last oil shock, Americans were saying things like, all right, a bushel of wheat for a barrel of oil. We've got the food, you've got the oil. (Made?) a deal, square deal. So this Bedouin and his brothers, the royal family, said, "Well, we're not going to have Western governments tell us how to run our international policy and our domestic policy." So a few dozen of us engineers went to Saudi Arabia, and within six years they were self-sufficient in food. They produced more than their consumption. They were exporters of food. Now, that was 25 years ago in Saudi Arabia, the vision of a Bedouin in the desert.

At that time we imported 48 percent of our oil. You want to take a look at our vision? Today we import 60 percent. So while I was in Saudi Arabia, our neighbor to

the north, Iraq, who had been producing wheat for 4,000 years, they were exporting wheat all over North Africa and the Mediterranean areas because they were great producers of wheat. I read the *Wall Street Journal* a couple of months ago that Iraq is now the number one importer of American wheat because, you know, infrastructure and a few things, but – a lot of few things.

So "Mr. Secretary," I said to him, "why does it make sense for us to be subsidizing these crops to export to third world countries putting their farmers out of business?" And then I told him, in 1909 my grandparents came to Montana, and they, like homesteaders all over the Great Plains, when they got their 320 acres they started turning it over, but they didn't plant the whole farm to wheat. They couldn't plant the whole farm to wheat because they needed horsepower. And so 20, 30 percent of the farm was planted to crops that they could feed the horses so they would have the horsepower to run the rest of the farm and produce wheat and put it on the railroad and all the rest.

"So Mr. Secretary, why are we subsidizing wheat for export, corn for export, and soybeans when we can grow biodiesel on every one of those acres? And if we did that we'd produce tens of thousands of jobs in rural America and we'd be more self-sufficient in our fuels and we would quit putting third world farmers out of business? Or by the way, the subsidy program would decrease, not increase." So I thought that made sense. And this guy who had come all the way out from Washington, D.C., to Montana to listen to us, he said – he looked over my shoulder and he said, "Next." That's what they were listening.

By the way, we can only get with all of our biofuels – current technology and technology in the near future, we can get to about 15 percent of our liquid fuel demands using biodiesel and ethanol. It's about 15 percent. Fifteen percent is good. We'll take 15 percent. Fifteen percent now gets us back down under 50 percent import.

There's other opportunities, and this one – let me show you this one. This one you all know. It's a four-letter word. It's coal. And you know the story of coal. It's dirty. Why would anybody with half a brain be promoting coal? And I couldn't agree with you more. If we're going to use this coal in the same way that we have used coal for the last 150 years, then you're not looking at the energy of the future; you're looking at the energy of the past. You should run away from this technology because the technology that we've used for the last 150 years is you dig the coal, you crush it, you ignite it, you superheat water, you run a turbine, that turbine generates the electricity, and you send electricity all over your county or your state or wherever it's going. But the mastery of the whole plan is you had to build a smokestack. Now, the smokestack had to be pretty high. It had to be, well, really high because it has to be high enough so that all the mercury and sulfur that you run up that smoke goes to somebody else's backyard.

Now, that's the technology the last 150 years. I'm not proposing this. There is technology that has existed since 1923. A fellow by the name of Fisher and another one by the name of Tropes in Germany developed this technology. It converts coal directly to liquid fuel, and the Germans used it in World War II. They made their liquid fuel from

coal because they couldn't get oil from Romania or the Middle East where everyone else was getting it. South Africans have been using it the last 40 years. They're producing 200,000 barrels a day using coal.

And by the way, at the end of World War II, remember we respected their rocket technology so much that it was a race by both the Russians and the Americans to get their rocket technologists, and then that was – the space war was formed. Well, in addition to the rocket scientists from Germany, we got the scientists that were doing this Fisher-Tropes project. And in 1948, the U.S. government started a Manhattan-style project producing liquids from coal in Missouri. We were producing 1,000 barrels of gasoline a day by 1953. Because even then they could see that we were running out of fuel. America was using our oil at a much faster rate than we were finding it and we recognized that we had a problem.

In 1953, the world changed. 1953, the four big oil companies signed the exclusive extraction rights with Saudi Arabia. And we had had oil with Aramco, the new Aramco company was formed. That gave us oil for generations. Cheap. Why would you bother with this coal because you could get oil first at $5 a barrel, then $10, then $12, then $18, then $20. Well, this technology sat on a shelf because of price. Many of you are going to say, well, if you could do this and if it is clean, and you talk about how clean it is, why did we go to oil in the first place? Well, oil was cheaper. This technology – at current technology, you need about $30 per barrel oil. And if your memory is not good, let me tell you what the price of oil had been for the previous 15 years before 9/11. It averaged about $17 a barrel; had been as low as $11 in the previous ten years. So this technology didn't work because you need $30 a barrel.

Right now we can produce diesel and aviation fuel using Montana or North Dakota coal or West Virginia, or Kentucky, Illinois coal. We can produce it for $1 a gallon. One dollar a gallon is what we can produce this product for. Now, what's the process? You're a sophisticated bunch. You're a lot smarter than the average bear, so I'm going to give you the actual physics and chemistry of what you do. First off, you get a thermos jug. This thermos jug is like a big steel thermos jug, and it's 30 feet in diameter. It's 130 feet high and you line a bunch of them up. And on the top you'll have a big conveyor and you have the ability to open that top of that thermos jug and dump 30 ton of coal in it, and you squeeze it down, and then you introduce a flame from the bottom. And when you superheat that coal and you increase the pressure, the temperature, 1,500 degrees, 1,800 PSI, the methane gas comes off, so now you get your CH_3.

So now you've got a methane gas you're working with. It still has some mercury in it. It still has some sulfur in it, so you run it through a process. You'll be able to clean all the mercury and all the sulfur out of it. Now you have pure methane gas. At that point you can either put it in the pipeline and ship it to a consumer or you can run what we call an IGCC, integrated gas combined cycle. That means you use the gas to run one of the turbines, producing electricity, and since it's an exothermic reaction – in other words, it produces more energy than you put into it to get the energy – you have extra

steam and you run another turbine so you're generating electricity. You can do that. You can just ship the gas to somebody's house.

Or the third process that you can do is you can pump that gas into another one of those big thermos jugs. This one is 30 feet wide and 130 feet high, and it has an emission gun, a gun that blasts cobalt at two micron – a really fine cobalt. And you add oxygen, so now you have CHN0. You blast it in there, and you can break the carbon from the hydrogen. So now you have the building blocks of all hydrocarbons, and you can put it back together in whatever sequence you choose. You want diesel, you want gasoline, you want aviation fuel, you want fertilizers, you want waxes – I don't know; you pick it out. It's called polygeneration. Whatever you want to make, whatever the market is going to be, but in America our demands right now are for liquid fuels.

What's pushing our society and will continue to push us for the next generation and generations to follow is our ability to put planks on the bridge to the new energy source. I don't know what it is, 50 years from now that we have all of us driving hydrogen cars or another source of energy. I'm neutral on this. I've driven a hydrogen car, and Toyota has a nice one. It's a pretty good ride for a million dollars. It's going to be a while, but we've got to put some planks on this bridge to the future.

And by the way, I told you we took the mercury out, right? We took the sulfur out. Now we have some really bright people in this room. John Wright (sp), people who took chemistry and physics, and they say, ah-ha, we've got you, governor. We know coal has four times as much carbon in it per unit of energy as natural gas. So what did you do with all that extra carbon? You put it out in the atmosphere. You're going to destroy the planet with all that $C0_2$, right? Wrong. Because we don't ignite this and run it up a stack, we're able to separate these products. Now we have pure $C0_2$. We're able to pressurize that $C0_2$, put it in a pipeline, and pump it back into the earth. And if you're producing this product in a place where you also have oil production, then what you do is you pump it back into the earth and you push it back into that formation 5(,000) or 10,000 feet deep where the oil has saturated the rock, and it's called enhanced oil recovery. You push this high-pressure $C0_2$ into the earth. That increases the pressure and, by the way, also increases the viscosity of the oil, so you increase your oil production and you sequester the carbon.

Now, there's so many bright people and they're saying, John, yeah, that might be some day, but that's unproven. Wrong. This plant was finished in 1984 in Beulah, North Dakota. They've been using coal to gasify since 1984, and for the last ten years they have been shipping the carbon dioxide up to Saskatchewan and pumping it right back into the earth and oil fields just exactly as I've described. This technology all exists today. And there are many companies who have patents in this. Let's talk about some of them. Shell Oil Company. That's why they're building a dozen of these plants in China right now. Yeah, you heard me right. The Chinese are ahead of us on this one. You've got General Electric, who bought their gasification technology from Texaco Chevron. You've got the Southern Company. Some of you grew up in the Southeast and you had the Southern Company as your provider of electricity and I think maybe even natural gas.

They have gasification technology. And then you've got Sasol, the company in South Africa that's been doing it for 40 years, making the gas, then making the fuel.

So when someone says to you that we are going to continue to be dependent on those foreign sources of oil, you say to them, does that mean you believe the price of oil is going to drop below $30 a barrel? Because if the price of oil stays above $30 a barrel, we will be able to make a significant quantity of our fuel. How much? Well, a ton of western coal makes two barrels of oil equivalent. And these extraction numbers, Montana is ranked number one in the country. USGS says we have about 120 billion ton of recoverable coal. I don't know how much we can recover actually, but I know there's tens of billions of tons that are close to the surface that we can safely mine and reclaim.

So let's just a little math here. We consume 6 billion barrels of oil per year, and so in order to produce that much we would need to make 3 billion ton of coal into fuel. And Montana alone has 120 billion ton, and we only have a third of the oil supply in the country. So you see, we do have the planks on the bridge to the new energy source, and we can do it as long as the price of oil stays above $30 a barrel. It's cleaner, and it'll produce tens of thousands of jobs in rural America. And while we're a little cantankerous in places like Montana – we're likely to call a son of a bitch a son of a bitch – you can trust us. We're your friends. And when you need your oil, we'll have it for you. And we will be your trading partners into the next generations. You can trust us, and you won't have to send your children and grandchildren to protect the coal fields of Montana.

I'll take some questions. Thank you very much.

(Applause.)

GOV. SCHWEITZER: Sorry about my voice. Questions. I see we have Brad Martin here. Stand up, Brad. He was one of the architects of the takeover of Montana. Actually, he's so skilled in the coup they've been recruiting him in South America. They've got several opportunities available. What else? Is it a question? Yes, please.

Q: Governor, there's a big debate going on –

GOV. SCHWEITZER: Play by the rules.

Q: What rules, Governor? (Laughter.) Is it on?

MR. : Yeah.

Q: Mike Lemaugh (ph). I'm an attorney here in Washington formerly with the House Commerce Committee. There's a big debate going on in Washington within the Democratic Party over whether the Democratic Party should in this coming election campaign on some kind of a national contract for the people of America. You know what I mean? A little bit of variation. Or whether it should allow the races to – all the other

party to twist in the wind with the problems they have. What do you think about that?

GOV. SCHWEITZER: People vote for people that are for something. People vote for people they like, and you people who say they have a plan. You don't like people who just say rotten things about other people. I think we need to have a plan. Of course – of course we need to say that you can't trust Republicans with your money. Of course you've got to say that they've spent more money than any time in history. And of course you need to look in the eyes of everybody with grey hair. And there's a few of you here today. And you need to say this to them: we need your help, and here's why we need your help. You thought that you had perhaps passed beyond the age of reproduction, but you see there's not enough people of reproductive age in America to produce enough children to pay off this debt. So we need everybody to produce enough children to pay off this debt. That's what we're faced with right now. We've got to stop this thing, and it's crazy and we have to say so.

But we also have to say that we have a plan. You know, if I was Karl Rove – and I wished I would have sat next to him instead of Nancy because I would have a little chat with him because (laughter) – I'd have to said to him, you know, you don't want your boss's legacy to be Iraq. You don't want your boss's legacy to be Iraq. This is – I don't know when it ends and how it ends, but it's not going to end in a way that he's going to be proud of. So why don't you make your boss's legacy that he was the one in a Kennedyesque style call to service – that he was the one that said to the American people, we need your best and brightest. We need every child in America to be engineers. We are going to challenge you. We have a job for each and every American not only to conserve energy, but to think of new ways of making and delivering energy. And we would produce more technology exportable to the world in a ten-year project than any time in history, including the space race the first ten years of the Kennedy plan.

That's a call to service that Americans would respond to. But you can't just say the words. You have to say we're prepared to do public-private partnerships with those companies that have gasification technology and wind technology and biofuels technology. We are prepared to put money in our engineering schools. We are prepared to put money in our high schools so that we are producing more engineers.

Today China and India are both producing ten times as many engineers per year than we are in the United States. We don't honor innovation in this country anymore. I've been in 27 countries around the world and I thought (inaudible) traveling, why are we the richest economy in the history of the world? And as I was growing up in Montana, I thought it was because of our great wheat and cornfield and soybeans, that we had the greatest agricultural abundance of any place on the planet. And then I went to Brazil and Argentina, I knew that wasn't true. And I thought maybe it was because of our port system and development of our rivers and our barge system; that we have such a great transportation system with our railroads and our airplanes. And then I've been to Europe and found out that isn't true. Then I thought maybe it was because of our energy. Well, that's not true. Our minerals? Not true. It's because of our innovative capability. We've led the world for the last 100 years in this American system of saying, how come?

What if? Why not? How about? And then going out and building it.

But today, China and India, Singapore, are all producing more innovation than we are. We don't honor engineers. I'll tell you who we honor. If Benny Franklin were a high school student right now, he'd be a rap star. If Tommy Edison were in high school, he'd want to play for the Yankees. That's who we – well (laughter.) They pay the most. They don't win the games. (Laughter.)

So you see, in India and China when moms and dads look around the table, they're looking at which one – which one will grow up to change the world. We need to do that again, and it can only come from the president of the United States.

If Karl Rove would have advised him to do that six months ago, President Bush – and you don't like to hear this – President Bush could be at 70 percent job approval right now because he would have asked you to be part of the solution. Be part of the solution. We're not going to send your people all – young people all over the world to protect oil fields. We're going to make ourselves energy self-reliant and we're going to do it cleaner. We're going to do it safer. And we're going to ask you to be part of the solution.

But he didn't ask us to do that. In fact, in his state of the union he said some words. He said things like – I think he said clean coal. And then within 24 hours had cut what little research money we had for clean coal technology. He said the word ethanol and switch grass. And I guess I told you, we could get to 15 percent here. That's a good start, but we're not putting the money in it. We talk about engineers and technology and innovation, but we're not putting the money into it. And more importantly, he didn't ask you. He didn't call you to service. He didn't say to you that the next generation can't live a better lifestyle than you unless we get this right. He didn't say that. If he'd have said that, many people in America would be with him.

Yes, right here.

Q: (Off mike) talk to about changing our energy sources who support this and I don't think this issue is something that just sprang up a year ago or yesterday. I think oil today, a barrel is, what 70 bucks or something like that? So who have you talked to in leadership, whether it's Ds or Rs, who support some kind of change? And why hasn't something been implemented before when the Democrats were in charge? And do you anticipate that we do need a change? And I think – well, I agree with that, so I can't speak for everyone here. So who supports this on the Hill? What other governors have you talked with? Is this realistic? And what impact will this have on our country and, et cetera, et cetera.

Thank you.

GOV. SCHWEITZER: First and foremost, don't beat yourself up because the price of oil has just in the last couple of years made this big jump, and it looks like the

floor price is $30, not the top price. So this technology didn't work ten years ago because of price, but that didn't stop big companies from doing research. It didn't stop the Southern Company from having 100 engineers work on this for the last ten years. It didn't stop General Electric from buying this technology from Chevron and Texaco, who had worked on it for 25 years. It didn't stop Sasol from making this for the last 50 years. And so I think that – don't beat ourselves up because we didn't come around to this.

Who are we talking to? I just mentioned some of the companies that I've been talking to, some of the governors. Joe Manchin, West Virginia. Ed Rendell from Pennsylvania. You know, they're building one of these plants converting coal to diesel – 5,000 barrels. That's a small plant, but they're building one right now. The western governors are very active on this – all over it.

The president knows about it. His people know about this. But why he doesn't move I just don't understand because, again, I believe this to be his legacy. Who better than an oil man? He said it. He said the words, we are addicted to oil. And then we went back and we got some more and we started drinking it. (Laughter.) You see? We said the words. Who better than an oil man? It's like Nixon when he said, it's time to go to China. It took an anticommunist for people to trust.

Right here. Yeah, you. That's it.

Q: Yeah, I'm waiting for the microphone –

GOV. SCHWEITZER: You're playing by the rules. I like to see that.

Q: Yeah.

GOV. SCHWEITZER: No anarchy in this room.

Q: Bush is the king of lost opportunities. He had not just the whole country, he had the whole world behind him. (Off mike.)

GOV. SCHWEITZER: That's right.

Q: I didn't (off mike) ideas on moderating (off mike) the Saudis and (off mike).

GOV. SCHWEITZER: While I was there, and of course the royal family was in charge, and the Wahhabis were very much in charge of this social fabric and the royal family had an unholy alliance with them. The royal family and their 500 princes would talk the talk and then go to Europe and do all of the nasty things that Westerners do in Europe, and the Wahhabis hated that. But it was settled down. It was kept under the table because there was this relationship. The money all flows to the royal family and the royal family doles that back out.

While I lived in Saudi Arabia, there was not even a hint of any kind of terrorism,

or if there was an anti-Western sentiment, it wasn't said out loud by any stretch of the imagination. In fact, we were honored; in particular, Americans.

Q: When were you there?

GOV. SCHWEITZER: 1980 to '87. That time. But today it's a completely different world. I think the royal family is in very big trouble. I think the royal family is probably going to be toppled. While I was there – incidentally, while I was there in the '80s, our military was there. In fact, I had ranking military officers' sons working for me on my farms. We were very much there. And we had something else called J-corps (sp), which were government advisors – many of them former military – that were scattered through their entire government, and that is what spawned Osama bin Laden. Because in Saudi Arabia, the two most holy shrines in all of Islam are Mecca and Medina. In fact, one of the pillars of Islam – there's some of you who are Muslim here – one of the five pillars is to go on a Hajj sometime in your life to make that pilgrimage to Mecca and Medina. And among the Wahhabis that spawned Osama bin Laden and his ilk, to have infidels and armed military in the country that is the defender of the holy cities made him crazy. So this really unholy alliance between the royal family and the American oil companies has given rise to a situation that is a powder keg.

Yes?

MR. : Please wait for the mike.

Q: Governor, my name is Dan Maffei and I'm from upstate New York. And I have only one qualm with this discussion, and that is it was the view from the West. And as you talk I see, you know, your clothes are a lot more comfortable than mine and you talk a little funny, and I'm currently running for Congress in upstate New York, which is about as east as you can get – the city of Syracuse and the surrounding rural counties – and everything you talk about is exactly the same up there. We're trying to get wind power off the ground. We've got soybeans, alternative fuels. We talk about healthcare, small businesses, that big businesses have left. You talk about the war and people on the war. These are all the exact same issues. I thought Montana was pretty different. I've never been out there. All these issues are exactly the same. So my question to you is, how can we put together a sort of nationwide Democratic message on a lot of the things that you're talking about, because so far I haven't seen that. And, you know, we look pretty different, but it's the same exact issues that are affecting us in central New York. Same with the prisons you mentioned, the educational system – all identical.

GOV. SCHWEITZER: I'll be damned. So we're all part of the same country? (Laughter.) Go figure. Nancy Pelosi a few weeks ago asked me to come out to Williamsburg, Virginia. The Democratic caucus was meeting there. And I told them a lot of the same stuff. And so I don't know what a first-term governor from the state of Montana has in terms of imparting wisdom on members of Congress, but I laid this all out for them. It's all there. I think we have an opportunity. I think that we can be for something, not against something. And we can do it cleaner and we can do it at home

and we can create thousands of engineering jobs. What's better than that?

Right here.

Q: Yeah. Adrian Wooldridge from the *Economist*. I just wanted to ask you whether the OPEC cartel – doesn't it have a veto over your policies? Can't it just lower the price of oil and crush any competition and then raise it again?

GOV. SCHWEITZER: They did.

Q: Well, they can do it again.

GOV. SCHWEITZER: No, in the old world they did, and I'll tell you how they did. The Saudis had the ability to – there's no – I don't know, for the rest of you who have been west, been to places like Montana, Wyoming or Texas, you know the way we pump oil. You have these grasshoppers that go up and down on the prairie pumping the oil. There's none of that in Saudi Arabia. All those wells are under pressure. And so they were in a position to crush the rest of the members of OPEC in the past. If the members of OPEC started cheating, the Saudis just opened the valves, and they'd drive that price down to 18 bucks because they are the low-cost producers. The Russians can't produce it for $18 right now. The Venezuelans can't do it for 18 bucks. They can't do it in Nigeria. Only the Saudis can get down to that $12 range and below. And so if people didn't play by the rules, they'd open the valves a little bit more, and they had excess capacity. For the last 24 months, the Saudis have had their valves wide open.

Our production worldwide is wide open and every bit of this new production is going to the west. We're producing the same amount. We're consuming the same amount. But what's driving it is China and India. Eight-tenths of a percent of the people in China have a car, but they are the most rapidly emerging middle class in the world. What happens – they're the second largest importers of oil right now. What happens when they get to 2 percent driving cars, then 3, then 4, then 6, then 12? Whether you're a copper producer or platinum or palladium or gold, which we produce all of those in Montana, or oil, coal – all commodities have gone through the roof. China – China is buying scrap metal from all over the world and when the scrap metal arrives on a barge, they unload the scrap metal and then cut up the barge. This – I'm telling you, that's what's driving this right now. We cannot keep up, and that's what's changed the world.

Yes, in back in green.

Q: (Off mike.)

GOV. SCHWEITZER: Play by the rules.

Q: Terrific speech, really. You said so many important things, and thank you for saying that. One of the things that you've talked about a lot is renewable energy and energy sources. And you've talked a little bit about conservation and efficiency. And

generally that's the way people think because (renewable?) energy sources are a whole lot more sexy, generally thought. But efficiency can actually accomplish the same result for a better environmental impact often, and it can be sexy. Things like – just as the Chinese are ahead of us with coal gasification plants, they're also ahead of us with CAFE standards. Their cars now have to be much more efficient. The cars on the American roads won't be allowed to be sold in China as of next year. Around the United States, we're building terrific buildings that use much less energy. In fact, so much less that some of them don't need any heating at all. Even in places like Sweden, where it gets very, very cold, now they have new buildings that they're building without furnaces or boilers or anything else, just relying on passive solar heating.

So my question to you is, politically how do we get this message out about both energy sources and energy efficiency? How do we politically create a powerful coalition that will overcome the vested interests and special interests?

GOV. SCHWEITZER: Very important question because – let's tie these two questions together – the last two. We can't increase the amount of energy during the next six years. We cannot. The only way we're going to be able to keep pace is through energy conservation. If we decided, if President Bush announced tomorrow a Manhattan-style, Kennedyesque plan of being self-sufficient in ten years, almost none of these plants would be done for six or eight. We can get 25 percent savings right now without even affecting your style of life. You can use less energy. You can be more efficient.

In Montana we have tax credits for people who weatherize and winterize their homes. And then we have a volunteer effort. We called to service young people from all across Montana. We called it "Warm Hearts for Warm Homes" – volunteers who went in and helped low-income people, shut-ins, elderly to weatherize their homes, to change the lightbulbs to the curlicue florescent, just to put caulking around the doors, to change the filters on their boilers or on their heating system. And just those alone – just those alone will save 25 percent of electricity and gas and heating costs in a home. So there's a good start.

And that's the only thing we can do for the next five years is to use less because we can't produce more. We are not – the big pipeline coming out of Alaska with natural gas. Not going to be here. I talked to Makowski (sp) here yesterday. Not going to be here for a dozen years or more. Not going to be here. Try and build one of these plants to generate more electricity? Not going to be here. You're not going to have new fuel even if you wanted it, so we start right now with energy conservation. And you said the word. Let's make it sexy. Nancy and I have bought a Volkswagen Jetta, and you know what we're running it on? Biodiesel. Biodiesel. And we're going to say to the people of Montana, we are running on crops that you're growing. Thank you. Grow more.

I called Volkswagen America before we bought it and I said, look, I want to run that Jetta on biodiesel. They said fine. You can run up to 5 percent biodiesel in that engine. We'll warranty it. Five percent. Yeah, that's 5 percent. Well, I said, I've got to go up the food chain. So I worked my way up the food chain all the way up till I got to

the head engineer of Volkswagen in the U.S. and he told me the same thing: up to 5 percent biodiesel in this engine. I said, "Mister, that same engine you're burning in Europe right now using 100 percent biodiesel because you're using rapeseed, which is the same as canola in this country, or safflower oil. You're just worried about soybean oil because it gels in cooler temperatures. I'm not going to use soybeans. I'm going to use crops that we're growing in Montana."

And he said, "Well, look, you know we have to be on the safe side, that's why we're at 5 percent, and we'll just stay with 5 percent. Five percent is what you can burn in this."

And I said, "Look, you're an engineer right?"

And he said, "Yeah, I'm an engineer."

I said, "Well, so am I, and I know that I could dry dog shit and put it in diesel and put 5 percent dog shit through my diesel." (Laughter.) Literally. And he laughed and he said, well, you're right, okay. (Laughter.) So that's how dirty diesel is, by the way – very dirty fuel. And so we're running a Volkswagen Jetta on biodiesel. You could all be doing that. Make it sexy.

The way you live, the furniture you use needs to be sustainable. Caulk your windows, change your windows. When you remodel your apartment or your home, remodel it in a sustainable way. And be competitive with one another: when you walk into somebody's place and they're not using sustainable products, tell them we're leaving. (Laughter.) We're going to hang out with somebody fun. (Laughter.)

Yeah. What else?

MR. PODESTA: Last question.

GOV. SCHWEITZER: Last question. I'm not going to pick. Who's the last question?

Q: Adam Segal (sp). Governor, along with everyone here, I'm very impassioned by what you said. I liked what you just said about efficiency and fighting some of those battles locally in my community. But one of the comments on wind, your goal was 10 percent by 2010. You're at 8.5 percent right now. And you say within a year – where do you think the – let's use the term where is the sky is the limit on wind from Montana? Because as I understand looking at wind, Montana could provide 100 percent of the nation's electricity just on its wind.

GOV. SCHWEITZER: That's right, but it's not firm power. And so the wind project that we completed – oh, I didn't tell you that story. You know the Republicans were saying that if we had wind power as part of the portfolio then the price of your electricity will go up to keep these (greenies?) happy and all the rest? We finished this

first project and we're producing wind energy for $32 a megawatt. We're firming it with a natural gas peaking plant for a blended price of $38 a megawatt. That's the cheapest new electricity produced in America in the last five years, and it is cheaper than old coal technology. And I know that because we just completed one of those in Montana at $41 a megawatt. So wind power, non-firm, you can probably get to as much as 20 percent of the electricity portfolio. The base load is still going to be, I hope, clean coal technology and nukes. That's what – we have coal technology and nukes doing it right now. I'm hoping that it'll be clean coal technology. The IGCC, remember the make the gas run one turbine and then another turbine? And that technology is being used around the world. There're some of those plants in America right now and there's many more going to be built during the next ten years.

Thank you very much.

(Applause.)

MR. PODESTA: Harry Truman famously said that if you want a friend in Washington, get a dog. Now we know can use your dog for something else. (Laughter.) But, Governor, I think that I want to thank you for not just your passion, your commitment, and your ideas, but for your ability to get things done. And so we need more leaders like you in this country and we thank you for being here today.

(Applause.)

(END)