

NATIONAL PRESS CLUB LUNCHEON

SPEAKER: GOVERNOR BRIAN SCHWEITZER (D-MT)

SUBJECT: VISION FOR AMERICA'S ENERGY FUTURE

MODERATOR: KEITH HILL, NATIONAL PRESS CLUB

LOCATION: NATIONAL PRESS CLUB, WASHINGTON, D.C.

TIME: 1:00 P.M. EDT

DATE: FRIDAY, OCTOBER 13, 2006

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MR. HILL: Good afternoon, and welcome to the National Press Club. My name is Keith Hill, and I'm an editor/writer with BNA, and a member of the National Press Club Board of Governors. I'm filling in today for our president, Jonathan Salant.

I'd like to welcome club members and their guests in the audience today, as well as those of you watching today on C-SPAN.

Please hold your applause during the speech so that we have time to ask as many questions as possible. For our broadcast audience, I'd like to explain, if you hear applause, it may be from the guests and members of the general public who attend our luncheons, not necessarily from the working press -- non-press people. (Laughter.)

The video archive of today's luncheon is provided by ConnectLive and is available to members only through the National Press Club website at www.press.org. Again, that's www.press.org. Press Club members also can access free transcripts of our luncheons at our website. Nonmembers may purchase transcripts, audio, and video tapes by calling 1-888-343-1940. Again, that's 1-888-343-1940.

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Before introducing our head table, I would like to remind our members of future speakers. On October 18th, Representative Thomas Reynolds, Republican from New York, head of the National Republican Congressional Committee, and Representative Rahm Emanuel, Democrat from Illinois, head of the Democratic Congressional Campaign Committee will discuss the upcoming midterm elections.

On October 23rd, John Hofmeyer (sic/Hofmeister), president of Shell Oil, will be here. And October 25th, Senator Elizabeth Dole, Republican from North Carolina, chairwoman of the National Republican Senatorial Committee, and Senator Charles Schumer, Democrat from New York, chairman of the Democratic Senatorial Campaign Committee will be our guests.

If you have any questions for our speaker, please write them on the cards provided at your tables and pass them up to me. I will ask as many as time permits.

I'd now like to introduce our head table guests, and ask them to stand briefly when their names are called. Please hold your applause until all head table guests are introduced.

From your right, Tracy Johnke with MarketWatch; John Farrell with The Denver Post; Gail Hoffman (sp) with Medialink; Beth Gesorits (ph), guest of the speaker; Dr. Ron Gesorits (ph), guest of the speaker; Justin Hyde of the Detroit Free Press; Angela Greiling Keane of Traffic World, and vice chair of our National Press Club Speaker Committee. Skipping our speaker for a moment -- Bob Carden of Carden Communications and Speaker Committee member who organized today's event.

Thanks, Bob.

Linda Lipson, guest of the speaker; (Christine Larson ?) of Washington Monthly; Sean Reilly of the Mobile Press-Register; and Diana Marrero, correspondent with Gannett News Service.

(Applause.)

The political pundits tell the Democratic Party to look West to figure out how to become the majority party once again, especially now that John -- Mark Warner has decided not to run for president. Well, the party probably would only have to look as far as Montana.

Governor Brian Schweitzer is a farmer and rancher who never held elective office prior to January of 2005, when he was sworn in as the first Democratic governor to serve Montana in 20

years. In his first year in office, he has become known as -- he has become known for his forward-looking energy policies, his hard-driving and common-sense leadership style, and his working attire: blue jeans, boots, and a bolo tie. I didn't wear my boots today, unfortunately.

Governor Schweitzer was born and raised on his parents' cattle ranch in Judith Basin, on the great plains of eastern Montana. He and his wife have a working ranch in Whitefish.

Governor Schweitzer brings a unique global perspective to his job as governor. As a young agronomist with an advanced degree in soil science from Montana State, he went overseas and worked for a decade to bring American agricultural methods to the developing world. In Africa, Asia, Europe and South America, and during seven years in Saudi Arabia, he oversaw large-scale irrigation projects and the construction of several of the world's largest dairies.

Governor Schweitzer has also become a leading voice on national resource issues ranging from bison management in Yellowstone National Park to importation of infected cattle from Canada and American dependence on foreign oil. He has been a vocal proponent of increased domestic production of clean energy and biofuels to replace foreign oil and solve environmental problems. And hopefully he will talk about the coal-to-liquid facility that is to be located in Montana, if it's not opened already. Governor Schweitzer is perhaps the only governor who drives both an ethanol vehicle and a biodiesel vehicle.

This is not the first time that Governor Schweitzer has been at the National Press Club. Last year he was here with Governor Richardson from New Mexico and Governor Manchin of West Virginia during the national Governors Conference that was held here in D.C., and at that time I had the pleasure of meeting him.

So with that, please join me in welcoming Governor Brian Schweitzer again to the National Press Club. (Applause.)

GOV. SCHWEITZER: Thank you very much. Thank you. Thank you very much.

In fact, it is an honor for me. You can't come from more humble beginnings than myself. My grandparents homesteaded in Montana, and neither one of my parents graduated from high school. They sent six of their kids to college. And it was with a great deal of hard work, a lot of sacrifice. And that really is the American dream, to send the next generation a little bit higher on the ladder, open some doors.

This year I spoke at the University of Montana at their graduation, which in itself was unique because I'm actually a graduate of Montana State University. (Laughter.) And so there were two things that occurred that day that struck me, and both touched my heart. The first was when I stood at the podium in front of all of those graduates and their parents and grandparents, families, and me, being the most recognized and recognizable graduate of Montana State University speaking at the University of Montana -- I wasn't roundly booed at the beginning. That touched my heart. (Laughter.)

The second -- and this one did touch my heart -- when I talked about the American dream of helping the next generation through education achieve any height, and then I said that, of course, my generation was the first generation of Schweitzers to graduate from college. And then I asked the graduates, "How many of you -- how many of you are the first?" And at first, some started to rise up. Some stood -- I asked them, "If you would please stand." And then I had to prod them again. "Please stand." A few stood; then a dozen, then two dozen, then more. Then it was 25 percent of the room that stood. And I looked at their parents and their grandparents and tears were running down their eyes, because that was the day that they'd prayed for.

So you see, we all have an opportunity to achieve the American dream, and it starts with having the best educated, best prepared work force in America.

I am the governor of Montana, and I'm going to tell you right now definitively, it's the best damn job in America. It doesn't get better than that. My job description includes knowing where the fish are biting, what they're biting on, where the elk are, how high the elevation of the snow is, knowing where the skiing's good. So it doesn't beat the job that we have in Montana -- governor of Montana.

But there's one part of this job that I haven't been prepared for. And this morning I made one of those phone calls to a mother, because we lost a Marine in Iraq. And so I called her this morning. And those are tough phone calls. And so I'd like each and every one of you not just remember this family of this Marine in Montana today, but remember every family, every family's sacrifice in this conflict, and let's pray that it ends as soon as possible.

I usually travel with my dog. I have a border collie, a smart, dang border collie. He's actually a dog that fits my administration quite well because, as some of you know, I'm the only governor in America who chose a Republican as my running mate. So we have a fused ticket -- a Democrat governor, lieutenant governor who is Republican, and we are the most bipartisan administration in the history of Montana.

Now my dog is part of this administration. He's part of this bipartisanship. He's a border collie and his face is half black and half white. He has one blue eye and one brown eye. And I usually travel with him. In fact, when I'm in Montana, people expect to see my dog. They like my dog a lot more than they like me, so at an event like this he would be beside me at the podium until I got to the part about energy, and he's heard all of that before. So then he would -- and he would -- he would go out among you right now and he would walk right up to you. He would sit in front of you, raise a paw, and he would shake hands with everybody in the crowd while I'm speaking. (Laughter.) Smart dog.

In fact, when I fly with Jag across Montana, he flies with me in the -- we have a little prop plane and just a few seats, but he gets on the plane first and he sits underneath the chair where I'm seated -- first one on the plane, and he's the first one off. And all the people all across Montana know my dog, and particularly the pilots on all of these small airports.

A couple of months ago, he and I got off the plane and we were in the men's room. And so a couple of pilots walked in and they said: "Oh, that's your dog. He's a smart dog." And then one of them said -- he was being cute -- he said, "Does he know how to use the restroom?"

And I said, "You bet; watch him." And he walked right over to the toilet -- (laughter) -- stuck his head in, and took a long, cool drink. (Laughter.) See? There's one smart dog.

I'd like to talk to you about something that's probably more important than anything that has touched this country in generations, and that's our inability to produce our own energy. As you know, we use about 6.5 billion barrels of oil in this country every year. About 4 billion of those barrels come from off our shores. Some of it comes from my neighbors in Alberta. They are good trading partners. They are our friends, and we can count on Alberta.

But after Alberta, these trading partners -- Venezuela, Algeria, Saudi Arabia, Iraq, Kazakhstan, Angola, Nigeria -- are you getting the picture? These are not our friends, and many of them are run by dictators, people who don't share our way of life. They -- in fact, many of them receive large numbers of dollars every time you fill up your car with gasoline, and some of that money is making it to the pockets of terrorists who would like to destroy our way of life.

I submit to you, the most important issue of this time and the next generation, and the generation after, is creating energy independence.

Now we're all looking at each other shell-shocked. How can we get there? As you know, going back all the way to 1948 when we tipped the balance -- it was 1948 when we began to consume more oil than we could produce in this country. And it was during the Carter administration we moaned that 40 percent of the oil we consume is imported. And then, when there was the oil embargo. The price of fuel went up; there were gas lines, and we were committed at that time. You remember those times Jimmy Carter said we have to conserve energy. We have to produce our own energy.

And so there were a lot of ideas in the late '70s. Coal gasification was one of them. Wind power was one of them. Biofuels -- and conservation was the lead. I'd like to talk to you about some of those today.

Remember our problem? Four billion barrels of imported oil. Let us assume that we can continue to produce 2.5 billion barrels domestically. I think that we can do that. In Montana, we are one of the two states that actually increased our oil production during the last 12 months. We'll do our part in gas and oil, but there's more to do.

I think we heard the president say a few months ago -- he leaned in to the podium in a very serious way, and he looked at every one of us in our living rooms, and he said, "We are addicted to oil."

I'll be damned. (Laughter.) Who knew? (Laughter.)

Of course we're addicted to oil. But you see, addiction is a cure that takes 12 steps. The first step in breaking the addiction is to admit that you have the addiction. So we've done one. We've got 11 more to go, and I'd like to talk about the 11 steps to energy independence.

The first is conservation. Remember, we have a 4 billion barrel problem. I think that you can decrease your consumption of energy by 1 billion barrels. That's some 16 percent of the total.

Now there are some smart economists here, and as you know, you could lay economists head to toe -- all the economists in the world, and they wouldn't reach a conclusion. (Laughter.) They'll say to you -- they'll say to you, "Oh, my gosh; everyone knows if you study the economies of the world that those economies who use the most energy are those economies that are the wealthiest. So if you're asking us to decrease the amount of oil that we consume, you're asking us to contract our economy." And I'm not saying that at all. In fact, if you look at the period between 1975 and 1983, we decreased our consumption of oil by 17 percent and grew our economy by 27 percent. We have done this before.

Now how do we do this? Where do we start? Jimmy Carter was a visionary. But he asked America to sacrifice. We're not good at sacrifice. He wore a sweater, asked us to wear sweaters and turn the temperature down. He asked us to sacrifice.

That doesn't work in America. We like hope and opportunity. What we have to challenge Americans to do is to make conservation cool.

A few months ago, Nancy and I -- my wife -- were having dinner with a group of folks at the governor's mansion. And we drive a Volkswagen Jetta that runs on crops -- I'm going to show you some of these crops here in a little bit. We get 43 miles per gallon, and it's run 100 percent on biodiesel. So I like to brag about that car and that we're raising our crops in Montana and running this car. And there were some other couples that were having dinner with us that evening. One of them said, "We bought a hybrid car, and we get 51 miles per gallon."

I said, "That's cooler than us."

And then someone else at the party said: "We bought a hybrid car, but we share that with our neighbor. We drive it three days a week, they drive it three days a week, and we leave it in the garage one day a week."

"Cooler yet," I said.

And then the last couple that was there, they said: "Well, in our family, we ride bicycles. So we bolted our bicycles together and we made a family bicycle." (Laughter.)

"Coolest yet!"

If we challenge Americans to challenge each other and we make conservation cool, you bet we can decrease our consumption by 1 billion barrels.

That's 16 (percent), 17 percent. We did it in the '70s. We can do it again. If we make conservation cool and we challenge the ingenuity of American scientists and consumers and marketers, we can reduce our consumption by 1 billion barrels. Now we have a 3 billion barrel addiction.

Next I'd like to talk to you about biofuels. I already talked about that Volkswagen Jetta -- but in Montana we produce them. We have canola; we have safflower; and of course, my favorite, camolina. What a beautiful name, camolina. This is a crop that came from Eurasia and now we're growing it in Montana. We can grow it from 10 inches of precipitation all the way up to 40; from 2,000 feet of elevation all the way up to 6,500; 75-day growing period; and you can grow 50 to 125 gallons of diesel on every acre. And camolina -- what a beautiful name for a plant that will bring us energy independence.

Now I've done a little math. You've heard I'm an agronomist -- done a little math. And I know that 58 percent of all of the bushels of wheat that we grow in this country are exported; 34 percent of all of the soybeans are exported; and 18 percent of all of the corn is exported.

Now let me talk about how this export process works. A farmer in the Midwest will work 364 days. On the first day, he borrows the money from the bank, pays the mortgage, pays for the fertilizer, pays for the fuel, pays for the equipment, and then works all year to produce a crop. On the 365th day, that farmer gives 40 percent of the value of the crop to the railroad to haul it to the port. And then it's put on a boat. And that boat hauls that crop all the way to the Third World, and then it's unloaded in the Third World.

Meanwhile, in the Third World, there's someone who's producing oil, and that oil is delivered to a boat, and that boat steams its way to America. Somewhere on the high seas, that load of grain headed for the Third World and that load of oil coming to America cross. When the oil arrives at our ports, it's unloaded and by pipeline or by rail, it's delivered to that farmer in the Midwest, and the farmer paid the freight both ways.

When my grandparents homesteaded in Montana, they knew, like all the homesteaders on the prairie, you can't plant the whole farm to wheat. You have to plant part of the farm for horsepower, because when they plowed the prairie in 1909 it was horses pulling that plow. So you couldn't plant all 320 acres to wheat. A portion of the farm had to be dedicated to horsepower.

I think this country needs to regain our energy independence starting in farm country, where farmers produce their own fuels for their own communities and stop paying the freight both ways -- grain out, oil back. This -- and I've done the math -- could produce a billion barrels, or about 17 percent of the total. (Applause.)

Now there's some that are talking about cellulosic. With cellulosic ethanol we might be able to improve above that level some. But -- a billion barrels can be accomplished. But you know, we're going to have to replace those acres of export making ethanol and biodiesel, and it will create hundreds of thousands of jobs in rural America.

And now -- you've been doing the math -- see, we had a 4 billion -- let's see. We did conservation. Now we've done biofuels. And we still have a 2 billion barrel addiction.

Now I'm looking around the room and I see some folks in here that are thinking, well, this isn't really my problem.

How many of you didn't use oil this week? Let's see your hands. Oh! I see. You're the problem. You are part of the problem.

So if you're part of the problem, what's your solution? Remember, I've already asked us to decrease our consumption by 1 billion barrels, which is something that almost no politician's willing to say right now. I've said to you that we'll replace the acres that we export of wheat, corn and soybeans, 95 percent of all the crops that we export out of this country, and make biofuels -- and that's a billion barrels -- and we still have a 2 billion barrel problem. So unless you're willing to live naked in a tree and eat nuts, we need more fuel domestically, and I'd like to talk to you about this one.

I was at Columbia University yesterday and I held up a lump of coal. And you know, at Columbia University, when you say something they don't like, they rush the stage. (Laughter.) And so I was a bit concerned, but they were well-behaved. To a lot of people, coal is a four-letter word, and if we consume coal in the way that we have for the last 140 years, it deserves to be a four-letter word. For the last 140 years, you dig the coal, you crush the coal, you ignite the coal, you super-heat water, make a steam, runs a turbine; that turbine either creates mechanical energy or electrical energy. And then the mastery of the entire system was the smokestack. You built a smokestack that was high enough so that all the mercury and sulfur and all the other bad stuff went to somebody else's backyard. (Light laughter.) That's what we did.

The problem is we're running out of backyards. In fact, now more than 50 percent of the non-naturally occurring mercury in the Western United States comes from China, because we've been so successful at building these dirty coal plants that now they're building them. In fact, at the rate that they're building them, and if they continue to build PC coal plants, pulverized coal plants, during the next 40 years, they will put more carbon dioxide in the atmosphere than we have during the last 140 years. So I don't know if any of you believe in this carbon dioxide global warming stuff. It doesn't matter whether you believe it or not, because the overwhelming majority of the scientific community believes it. I believe it. Political leaders all over the world are coming to grips with carbon dioxide, and it's time that we do too. So I'm not proposing that we burn coal. I am proposing that this coal can be used in a different way.

If you put this coal in a pressurized chamber -- think of a big thermos jug -- and increase the temperature and pressure to some 2,000 degrees and 2,000 psi, a gas will come off. And that gas will be a mixture of CO₂ and methane; so you get a natural gas mixed with CO₂. The CO₂ can be split from the natural gas and then you can pump it right back into the earth. The CO₂ will become a valued resource.

For example, Jimmy Carter -- remember, we talked about him? He was going to build a hundred coal gasification plants in the West. But by the time he was done, only one got built, and it's in

Beulah, North Dakota, where they are producing gas from coal. And the carbon dioxide? It's put in a pipeline, shipped to Saskatchewan, and pumped back into the oil fields where it doubles the quantity of oil that they get from that oil field -- and we sequester the carbon dioxide. In Montana, we have studied our oil fields and the folks in the oil business believe that they could quadruple their oil production in the Bakken Formation, which, according to the USGS, contains 400 billion barrels -- in eastern Montana, western North Dakota and southern Saskatchewan -- 400 billion barrels. I think the big shots here in Washington, D.C., say that ANWR might have 23 billion barrels, and yet in Montana and North Dakota we have 400 billion barrels. And if we can deliver carbon dioxide -- sequester the carbon dioxide; we can increase oil production, and that will be part of our domestic production for the next 40 years.

In addition to producing just this gas, natural gas, you can produce electricity with it. It's called the integrated gas combined cycle. This process of putting coal in a pressurized chamber and getting the gas to leave the coal is what we call exothermic. So it actually produces more energy than you put in, so with this waste energy you create a steam, run a turbine, and generate electricity. With the gas itself, you run a second turbine; that's why they call it combined cycle.

And then we sequester the carbon dioxide, remove all the mercury and sulfur, and we can produce the electrons that we need for this country, sequestering the carbon dioxide.

But there's another step that you can do, and that is to pump that gas into another pressurized chamber and make a fuel like this. This fuel is made from coal. This is diesel. In fact, someone said that I have an ethanol pickup and a biodiesel car. I also have a Dodge pickup with a Cummins engine that runs 100 percent on this coal- to-diesel -- no blend, no change to the engine. This diesel contains no sulfur. The sulfur that we make from our refineries in America have 350 parts per million. No aromatics, no particulate matter.

Let's talk about how much coal we might have. What was our problem again? I think it was a 2 billion barrel problem? In Montana, we have about 120 billion tons of coal. We have about a third of the coal in America, and each ton of coal will make about two barrels of oil. So in Montana alone, 120 times two -- and we got somebody with a calculator -- that's about 240 billion barrels of oil equivalent. And we had a 2 billion barrel problem? I think that's 120 years in Montana alone. If you add the other 27 states that have coal, we have enough coal providing this -- inexpensive, by the way, \$1.15 a gallon -- to produce all of the additional fuel that we need for this country.

Now, there are some steps that we have to take along the way, and unfortunately, it involves Washington, D.C., because -- (interrupted by laughter). Fortunately, they're not in session today, so the children are safe at home. (Laughter, applause.) They're not good at public policy in Washington, D.C., until there's a crisis. But if we don't have a crisis when we have 150,000 of our best and brightest and bravest serving in the Middle East to protect your oil supply, when will there be a crisis?

Now, I want to put this in perspective, why this is a crisis. You heard that I lived in Saudi Arabia for more than six years. As- salaam aleikum. Any Arabic speakers? Not here. But what I noticed while I was there, all the way back those decades ago, embedded in the mountainside in Iran are

great big guns and they're trained on the Strait of Hormuz. The Strait of Hormuz is only 34 miles wide, and 40 percent of the world's oil supply flows through that strait. And at a time that Iran chooses, they will open fire and start sinking those supertankers. When they start sinking supertankers, the price of oil will go to 2(00) then \$300 a barrel, and it will cripple the economies of the Western and Asian sector. Iran gets to choose. Iran gets to choose the time, and only Iran gets to choose. It's a dang good thing that we have rational, friendly people in charge of Iran today. (Laughter.) So you see, if we're going to continue to hitch our wagon to the horse of Middle Eastern oil, then you had better be prepared to send the next generation to Kuwait and the generation after that and the generation after that.

This should be the generation that gets it right. If we get our fuels right with biofuels, with conservation, coal-to-liquids, wind power, solar power, and evolve to the hydrogen or cold fusion world 30 or 40 years from now, your grandchildren and great-grandchildren will be working in the energy business in America, not wearing boots and helmets and protecting an energy supply someplace else. This is -- (interrupted by applause).

So if we could get Congress to move, what would we do? We would say to them, number one, we need to have an energy policy that helps farmers and ranchers build their own biodiesel plants and, to some extent, more ethanol. And that means creating an agricultural policy that is an enforcement of the rules, the laws and the prices so that a farmer is now selling fuel, not seeds, so that a farmer is a partner in the process of selling the fuel and there is a stabilized price under the value of the fuel, not just the grain. That's step one. The USDA ought to be active in every community with guaranteed loans for farmers to build their own fuel plants. Now, that's the agricultural sector. That's the 1 billion barrels.

On the conservation side, we ought to have tax credits for anybody across America that demonstrates their ability to decrease consumption. It ought to start today. I know we've got some tax credits out there, but it's not driving people to make conservation cool. And then coal-to-liquids, coal gasification -- here's the way you get there.

In agriculture, for the last 50 years, in order to make sure that farmers can stay in business no matter what happens in the world market of grains, there's been a floor price. There is a certain price at which, if the price of grain drops that low, the federal government steps in and pays that farmer the minimum price. I'm proposing in this country that we make the minimum price of domestically produced fuels, whether it's biodiesel, ethanol, coal-to-liquids, or oil that's drilled domestically, about \$1.20 a gallon, about \$38 per barrel. If we give the market certainty, then Wall Street will invest in these new opportunities.

I've been on Wall Street. I've met with the big shots in New York, Los Angeles, and here's what they say to me: They say, "We'd like to invest in this, but we're not in the commodity business." Well, on Wall Street they kind of like to shoot fish in a barrel. They like a sure deal. They've got the money and they want to keep it. So if we gave them certainty in the markets, we can produce these things for \$1.15, \$1.20 a gallon, so if we make the base price \$1.20 a gallon, \$38 a barrel, I don't think Congress is going to have to spend a dang dime.

Honestly, do you think the price of oil is going to drop to \$30 a barrel? And if it does, let's just say it drops to \$33 a barrel and you were expected to pick up that \$5 times 4 billion barrels. That's \$20 billion a year. How much did we spend in Iraq this year? Kuwait? Saudi Arabia? Nigeria? Kazakhstan? That's one-tenth of what we're paying per year to secure an oil supply. So you see, I doubt that we would have to pay a nickel to support this, because at the rate that the Chinese economy is growing, they're sucking up every barrel of oil that can be produced in the world.

So there it is. Energy independence in 10 years will create hundreds of thousands of jobs, and for all of our brave men and women who are now serving in the Middle East, we could bring them home and work in the energy business.

Thank you very much. I'd love to take some questions. (Applause.)

MR. HILL: The first question I have for you is an e-mail question. The issue of despots in oil-rich countries should be no news to members of the 21st century. Why on earth did it take the link of terrorism and oil to initiate the recent campaign of energy alternatives? What poses barriers to increased investment? And could you please comment on how state leaders could be more proactive in their legislative approach to bring about the revolution?

GOV. SCHWEITZER: Well, everybody in America knew that we were buying oil from dictators, so I guess Washington, D.C., just found out. (Scattered laughter.) But let's talk about what we can do in our states.

I'm the first governor in America to sign on to what we call "25 by '25," which means 25 percent of the energy that we consume and make will be sustainable by the year 2025. I'm working with the rest of the Western governors to build a protocol for piping and storing carbon dioxide, because as we produce this coal technology, we'll produce a great deal of carbon dioxide. That means that we have to find the geologic formations to store it. It means that we have to create the protocol and the laws so that we can pipe it safely, store it safely, measure it safely. And in our economy it means you've got to lawyer a little bit, so you've got to have the laws that demonstrate who will be liable if there's a problem with the CO₂. So that's what we're doing as the states, and frankly, it would be a lot faster if we could get Washington, D.C., to get in the game. But don't hold your breath; it's probably going to be done by the governors.

MR. HILL: What is the state of research on carbon sequestration?

GOV. SCHWEITZER: You know, I always like to hit my balls a little bit inside and high, and then I put it right down the third base line. Whoever said that, that was a nice question. In Montana, we have studied our geologic formations and there are studies all over America that are identifying the geologic structures that will store carbon dioxide. How many tons will be stored in Pennsylvania? How can we store it in Montana and Wyoming? So there's a great deal of work being done right now to demonstrate the places, the depths, the kinds of formations and the kind of chemical, physical reactions that will occur.

By the way, you're not just pumping this gas down into some balloon that might get a hole in it some day. When you pump carbon dioxide into the Earth at great depths, at great pressures, it forces itself into the micro-fissures of, in particular, dolomite and limestone, and becomes part of the geologic formation. It came from those rocks; we're just sending it home.

MR. HILL: How will Montana supply the water for coal-to-gas-to- liquid plants?

GOV. SCHWEITZER: Well, that's a sensitive subject in Montana, because Montana is your supply of water for this entire country. Seventy percent of all the water that flows in the Missouri River drainage, which is the largest drainage in America, comes from the mountains of Montana. Fifty percent of all the water that is stored in the Columbia system that flows out through Washington-Oregon is stored in mountains of Montana. And Montana, the only place in the United States where water flows also to the Arctic -- Pacific, Atlantic and to the Arctic. We are the mother lode of water, because we have substantial resources of snow. We are the headwaters of our rivers.

We have plenty of water in Montana. We just have to use it wisely. Frankly, each one of these plants would use about the same amount of water as a medium-sized irrigated farm in Montana. We have plenty of water.

MR. HILL: States seem to be taking the lead on global warming and alternative energy production. Can real change be made without Washington's cooperation?

GOV. SCHWEITZER: You better pray to God that it is. (Laughter.) Yes, it is.

I've just been in office for 20 months and we passed a law in Montana that 15 percent of our electricity will be generated from wind power by the year 2015. We're at about 10 percent right now. We've had over \$300 million invested in wind power just during the last year. And we expect fully another billion dollars to be arriving in Montana during the next few years.

So wind power, solar, biodiesel, ethanol, coal-to-liquids -- the states are taking the lead. As I said before, it would be much faster if we could get Congress in the game, but they have other concerns. And so if they don't lead, expect the states to.

MR. HILL: Is there a role for up-to-date, safe nuclear energy for the United States, as Japan and France have?

GOV. SCHWEITZER: Yes, there is.

We need a lot of legs under the table to hold up our energy. I showed you coal. I showed you biofuels. I showed you conservation. But if you're concerned about carbon dioxide, at some point we have to produce electricity here from a source that doesn't increase the amount of carbon dioxide. So nukes will be part of our electricity portfolio.

MR. HILL: If the coal-to-fuel and biodiesel technology is economically feasible, then why aren't more companies getting involved, and why is there a need for government subsidies?

GOV. SCHWEITZER: Anybody know what the average price of oil was for the 10 years preceding 2001 -- 9/11/2001? It was about \$18 -- 18 (dollars) to \$20. This process that I'm talking about, you need a stable price of 35 (dollars) to \$40 a barrel. The markets over the last few years, folks who trade in oil, they've looked at each other and they thought, "Is this going to be another one of those?" Because, you see, what happens with oil over the last 100 years is high prices bring more production, more production brings lower prices.

We're starting to see that now. I think it's below \$60 -- 58, maybe 57. How low does it go? Three years ago energy traders said, "I think this will go back down to 25 (dollars) or \$30." Today, very few think it's going to go down to 25 (dollars) or \$30. But even if it does, I think we've already mentioned that we spent \$500 billion in this excursion in the Middle East. And if you consider 6 billion barrels, then we're paying 80 (dollars) or \$90 a barrel out of your pocket, taxpayers' pockets, to protect the oil supply. If the price of oil should drop to \$30 a barrel for a few years, it's sure a lot cheaper to support a domestic production of fuels and electricity than it is to be dependent on dictators.

MR. HILL: We're going to shift gears for this question. How well are such natural resources as water holding up in Montana under the growing influx of retirees?

GOV. SCHWEITZER: If you put Montana on the map here in the Northeast, it'll run from New York City to Indianapolis, and we have 930,000 people living in Montana. It's getting a little crowded -- (laughter) -- but we still have some room. (Laughter.) So if any of you are thinking about getting into the ranching business or the energy business or the biotech business or the information technology or just the business of raising a family, I can promise that Montana is the greatest place in the world to raise a family, to start and grow a business and to build a community. Welcome to Montana!

MR. HILL: Does this mean I can move there?

GOV. SCHWEITZER: We'd love to have you there.

MR. HILL: Well, actually, I have been there. And when they say, "Big Sky Country" they're not kidding.

Do you support legislation that would pay oil companies and use the proceeds to set up ethanol service stations?

GOV. SCHWEITZER: Let me get this straight. Somebody would like to give ExxonMobil some more money? They've got \$60 billion in the bank. What are they going to do with a little extra? It's the right thing to do.

You know, ExxonMobil, British Petroleum, Shell, they're drilling oil all over the world. But in Montana, Wyoming, New Mexico, Colorado, Texas -- where we still have a lot of oil -- I told you about the Bakken Formation in eastern Montana with 400 billion barrels. Those big companies are investing all their money overseas. So I don't think we ought to give them another dang nickel! (Applause.)

MR. HILL: Well, I misspoke. I'm sorry. It should have been to tax the oil companies, and then take the money to set up ethanol service stations -- so we're taxing them.

GOV. SCHWEITZER: No, I think I laid a plan out. Let's just put a minimum price in fuels that we produce here, and probably the price in the market is not going to get to that price. It just gives certainty to the market. And if you drill oil in America, if you drill gas, if you make biodiesel, if you make coal-to-liquids, it all is going to have a floor price. I don't think we need to have a taxation system that gets us there.

MR. HILL: Okay.

How do you propose to ensure the availability at the retail level of alternative fuels when retailers have shown a resistance to allocating pumps for them?

GOV. SCHWEITZER: Well, I don't know if I can explain any better than this: I told you how we ship these seeds all the way across the Midwest, and put it on a boat and ship it all the way to the Third World. And they ship oil all the way back. And we somehow manage to get that oil back to a pump in Ohio and Indiana and Iowa, when we could produce these fuels right in their own backyard. I've got to believe the distribution system's easier to deliver from the farm in Indiana to the city in Indiana than it is to buy the oil in Iraq.

MR. HILL: You may have answered this question earlier, but what is the impact on the U.S. economy of spending our energy dollars at home rather than exporting them to the Middle East?

GOV. SCHWEITZER: I talked about the \$500 billion that we have sent to the Middle East to defend our oil supply. But I didn't talk about the price increase from \$30 a barrel to \$60 a barrel, and importing 4 billion barrels. Anybody got a calculator? Oh, what the hell; it's \$120 billion a year for the last three years. That's \$360 billion. And in the energy business you can roll that dollar over about four times. We're into the trillions, folks.

So you see, it is good business to invest domestically.

MR. HILL: Do you support higher mileage standards for cars and trucks?

GOV. SCHWEITZER: You know, if we had passed CAFE standards 10 years ago, Ford, General Motors, Dodge would be making a profit. They would be making a profit. The problem they have right now is their pipeline is full of V-8s.

If we had the ingenuity of American scientists and engineers creating cars that were hybrids, if we would have mandated CAFE standards 10 years ago, that would have got us into the 21st century; then Ford, General Motors and Dodge would all be making great profits, because I got to believe if American engineers want to make a hybrid that gets 60 miles per gallon, we'll beat the Japanese and Koreans every time.

MR. HILL: Speaking of Asia, do you see a market in China for cleaner fuels?

GOV. SCHWEITZER: We better, because if don't, China is going to burn enough of this coal in the old, dirty way that they'll destroy the planet during the next 40 years. The idea of producing clean-coal technology in America is not just to produce the energy for this country, but to transfer that technology to the Third World.

If we get this right, we can make this climate more stable. We can produce hundreds of thousands of engineering jobs in producing new technologies that we ship around the world.

MR. HILL: We have a slightly political and slightly energy- related question. Who would be the best president to advance your energy plan? (Laughter, applause.)

GOV. SCHWEITZER: If you call a mother who's lost a child in the Middle East and you asked her if she would advance a domestic energy supply, she would have the passion and energy to get it right.

MR. HILL: Shell Oil head, John Hofmeyer (sic), will be here later this month. What questions should we ask him?

GOV. S.: His name is John Hofmeister, and he's actually been to my office in Montana. The Shell Oil Company has this coal gasification technology. In fact, their building plants right now in China. They've got a contract with the Chinese government to build a dozen of these coal gasification plants in China to produce fuel and fertilizer in China.

I think the best question to ask Mr. Hofmeister is why he's not building them in Montana instead of China.

MR. HILL: We have a totally political question here. The liberal political commentator Markos Moulitsas recently wrote a piece for the Libertarian website Cato Unbound in which he made the case for a new political breed that he calls the "Libertarian Democrat." Moulitsas wrote, quote, "At the vanguard is Montana Governor Brian Schweitzer, who ran on a decidedly libertarian Democrat message." What do you think of that characterization?

GOV. SCHWEITZER: Look, I don't know what you want to call me, but I'm a pickup-driving, gun-totting, red meat eating, go to church on Sunday, work with my hands, balance the books and take responsibility for my own actions. If that's a Democrat or Libertarian or a Republican, I think that's what we need in America. (Applause.)

MR. HILL: This questioner asks: In 2004, Montanans elected a Democrat for governor, sent a Republican to the House, barred gay marriage and legalized medical marijuana. Please explain this behavior. (Laughter.)

GOV. SCHWEITZER: The independent streak in Montana is as wide as the big sky. There's no explaining the people of Montana. They're going to get a notion, and they're going to go left sometimes, right sometimes.

But I can tell you this: The people of Montana are like a lot of folks in the heartland. You big shots here in Washington, D.C., and on the East Coast and the West Coast, you think of all those places out there as red or blue. We're not red. We're not blue. We're families with dreams and aspirations for the next generation. We're people who get up in the morning and put our jeans on one leg at a time. We drive to work and we do a full-day work for the wages that we get. We go to church on Sunday and we believe in this country. So quit calling us blue and red. We're Americans. (Applause.)

MR. HILL: Border security is an A-list issue now. Montana has a huge border with Canada. Do you think the money being spent now on border security is being well spent?

GOV. SCHWEITZER: Nope. (Laughter.)

MR. HILL: How can -- do you want to elaborate on that? (Laughter.)

GOV. SCHWEITZER: Well, once again, these big shots in Washington, D.C., they decided they were going to build a fence between the United States and Mexico that's 12-feet high. Well, Wal-Mart will sell ladders that are 14-feet high. (Laughter.) You know -- (laughs; applause.)

MR. HILL: Okay. Good elaboration. (Laughter.)

Now, next they'll build them 20-feet high. Then Wal-Mart will have ladders 21-feet high. Anyway, I digress.

How can American leaders help American citizens to gain a greater understanding of the Islamic culture?

GOV. SCHWEITZER: Well, being one of those Americans, as a young man who spent a great deal of time in the Islamic world, first and foremost, understand this about Islamic people. These are great family people. In the Islamic world, you will find multi-generations living in the same house or on the same block. Grandparents are actively involved in raising their grandchildren. Uncles and aunts are part of every family celebration.

During the month of Ramadan, you think of that as a month of fasting, because from sunup to sundown in the Islamic world they don't eat or drink. It's a time of celebration. And it's when families come together. They celebrate the month of Ramadan in a holy way. For the entire month they're up most of the night. They sleep most of the day. But the Islamic faith is a faith of families.

The Islamic terrorists who have embarked on attacking the Western world, they are not working on the Koran in the same way as most of the families are in the Middle East. I had a group of Middle Eastern students who came to visit me in Montana. There were about 40 of them. And I suppose since I was the governor who spoke some Arabic, they wanted to come and meet me. And I asked this question of a young Iraqi woman: I said to her, "Did you support when we came to Iraq?"

She said: "Let me explain it this way: We wanted to get rid of Saddam Hussein. But you know, when Saddam Hussein was there we didn't have freedoms, but we had safety in our homes. Now we have freedom, but we don't have safety in homes."

I said -- well, now this kind of sounds like a politician. So I said to her, "Well, tell me, which do you prefer?"

She said, "Sir, we have to be safe first."

So you see, the opportunities are great in the Middle East to build a relationship family to family, but that relationship is not going to be built by sending only people with boots and tanks. It means that we have a long-term investment in those families, in those societies.

We've always been the beacon on the hill. America's always been that great light at the top of the hill, while no other country could ever hope to be like us in terms of the way we allow anybody from any social strata -- from the last and the least to the first and the most who go all the way to the top -- that we allowed every religion to prevail here in the United States, that we accepted people from across the planet. Not most countries could do that, but most of them respected us. And they respected us because in our constitution, we celebrate the individual more than we do the collective.

But during the last five years we've lost our way. And we've lost our way in this country. We've lost our way around the world. And until we regain the moral authority, we will not be able to touch the hearts in the Islamic world, or South America, or even Europe, for that matter.

MR. HILL: Two-part question here: Could Hillary Clinton be elected president? Second, who would you like to see as a Democratic nominee for president in 2008?

GOV. SCHWEITZER: First answer, yep. And second answer, a good one. (Laughter.)

MR. HILL: Somewhat evasive there, but we'll accept it.

What do Montana voters feel about the Iraq war?

GOV. SCHWEITZER: We send our men and women to the military in higher percentages than nearly any other state in the union. Whenever called, Montana and Montanans respond in higher percentages than nearly any other state.

The questions that Montanans have -- not just the moms who have lost sons, but all Montanans -- when do we know it's time to leave? Who will tell us? What is the mark on the wall?

I heard, "when we create a democracy." Well, they have a dang Congress -- 400 and some members! I heard, "when they stand up, we'll stand down." There's 290,000 people in the Iraqi military. It's one of the largest militaries in the world. Where's the mark on the wall?

We are prepared to help in this national effort, but please tell us why we are still there, and what is the mark on the wall that we know? Because they told us when they have a democracy, we can leave. They told us when they stand up, we can stand down. Now what do we need to do? They told us, if we leave now, we'll have a civil war. Well, I've got to tell you something: We've got a civil war. This is Sunnis and Shi'as killing each other, and we have our young men and women on the streets of Baghdad between them.

Look, we're going to be in Kuwait. I told you that at the onset. We're going to be in Kuwait as long as you're importing oil, and we should be. It's the most strategic place on the planet. That military base in Kuwait allows us to put footprints within 1,000 miles radius, gets us all the way to Russia, Kazakhstan, Azerbaijan; gets us all the way to Pakistan, Afghanistan, Uzbekistan; gets us all the way across Saudi Arabia down to Somalia, over to Egypt, all the way across to Iran -- 1,000 miles. If you put 1,000 miles in Kansas, it takes you all the way to Manitoba, all the way down to Mexico, all the way from the Carolinas to California. You see how strategic this is? But it doesn't mean that we have to be in Iraq.

I think when we pull out of Iraq, and it should be sooner rather than later, we're going to have at least three bases when we leave. We're going to have Kirkuk. We're going to have Tikrit. And we're probably going to have Balad. And we're probably going to stay there for a period of time until this country gets through this civil war, or whatever it is that they're doing there.

We need to protect them from the Iranians. We need to protect them from the Syrians, and any other nutcase that tries to create a problem in that country. But we should not have our men and women walking the streets of Baghdad. (Applause.)

MR. HILL: Years ago we gave assistance to China to develop state-of-the-science energy efficient refrigerators. Are we doing this with coal fluidized bed technologies for China?

GOV. SCHWEITZER: John Hofmeister's going to be here in a few weeks. Ask him about his coal gasification plants that he's building in China right now. There are other countries that are developing this technology -- General Electric; the Southern Company; Kellogg, Brown and Root -- just to name a few.

So yes, we are transferring coal gasification technology to China. The question is not are we gasifying coal in China; the question is, are we sequestering the carbon dioxide, or just venting it? The first step is to create the process to separate the methane gas from the carbon dioxide. The second step is to actually spend the dollars and the engineering talent to pump the carbon dioxide back into the earth.

So the question we have is, are we venting the carbon dioxide? Because if we are, it's no cleaner than pulverized coal -- old technology. Well, it's cleaner with mercury and sulfur. But I guess it's the first step to at least have the technical capability to re-sequester the carbon dioxide.

So, good question for John Hofmeister. They have one of the finest coal gasifiers in the world. They're building them in China. We need them in North Dakota, Montana, Wyoming, West Virginia.

MR. HILL: Can you handicap the Conrad Burns race? Or will John Tester win his race in Montana?

GOV. SCHWEITZER: John Tester's grandparents homesteaded just 20 miles from my grandparents. John Tester was born in the same little hospital that I was born in. He was a year late. And John Tester will be the next United States Senator from Montana. (Applause.)

MR. HILL: A couple of questions that I'm going to ask real quick: Will you run for president in 2008?

GOV. SCHWEITZER: Nope. (Laughter.)

MR. HILL: Before I ask the last question, I would like to present you with the coveted National Press Club mug -- (laughter) -- and a certificate of appreciation.

GOV. SCHWEITZER: Thank you very much.

MR. HILL: Thank you. (Applause.)

Your final "Jeopardy" question -- and you may have answered part of this earlier -- where's Jag today and what are his thoughts on the dog whisperer?

GOV. SCHWEITZER: Jag doesn't fly commercial and so he's at home with the first lady. And Jag, actually, is writing a book right now -- (laughter) -- so he doesn't have a lot of time to spend with a whisperer. He's actually writing a book, "The Government of Montana Through the Eyes of Jag." So he's got a full-time job. (Laughter, applause.)

MR. HILL: I'd like to thank you -- (interrupted by applause).

I'd like to thank you for coming today.

I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booz and Howard Rothman for organizing today's lunch.

I'd also like to thank the National Press Club Library for their research. Research is available to all National Press Club members. For more information, please call 202-662-7523. Again, that's 202- 662-7523. Good afternoon. We are adjourned.

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