

Game Change

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Greg Dalton: Welcome to Climate One, a conversation about America's energy, economy, and environment. To understand any of them, you have to understand them all. I'm Greg Dalton.

With gas prices rising and a decision looming on a Keystone XL Pipeline, energy is inching its way back on to the national agenda. President Obama has pledged to use his executive powers to reduce carbon pollution from coal plants and wants to fund clean technologies with royalties from offshore drilling. Republicans say his coal plan will hurt the economy and this funding of green startups is a waste of taxpayer money.

Over the next hour, we'll discuss the politics of energy with our live audience at the Commonwealth Club in San Francisco, and we are pleased to have with us two seasoned veterans from each side of the political divide. Chris Lehane is a partner and political strategist with Fabiani & Lehane, and a former adviser in the Clinton White House. He also advises Democratic billionaire, Tom Steyer, on his energy strategy.

Steve Schmidt is vice chair of Edelman Public Relations and was a senior campaign strategist for Senator John McCain's 2008 presidential bid. He also advised Vice President Dick Cheney and California Governor Arnold Schwarzenegger. Please welcome them to Climate One.

[Applause]

So welcome both. Thank you for coming.

Chris Lehane: Thank you.

Greg Dalton: Let's talk about -- let's start a common ground. What are the areas around energy where Republicans and Democrats actually agree, if anything, these days? Chris Lehane?

Chris Lehane: So you start off right with the curb ball, don't you?

Greg Dalton: Yeah. Well, you know.

Chris Lehane: Well, first of all, thank you for having us.

I just want to say at the beginning, Steve and I, have done a variety of these types of forums and programs, and we're both very good friends, and I have enormous respect for him. So it's a real honor to be up here and I want to thank you guys for the tremendous work you do with this forum. You know, the class of speakers that you had and the folks that you had involved with this, it's just been fantastic. So thank you for including us.

You know, it's a really interesting question and I guess the way that I look at it is that, and obviously, I'm coming from a very certain perspective on the left side here of the panel, but extreme weather climate change are beginning to have a significant economic impact. You know, over the last couple of years, right, we've seen what have happened with crops in the Midwest. We had the Mississippi River where you couldn't have goods going down the river. You had Superstorm Sandy and the financial implications of that.

If you think about it, they're on the same time that we had the fiscal cliff and you basically had a deal, that both sides agreed to. Within days of that, you had an emergency authorization to deal with Superstorm Sandy of over \$60 billion. It's almost the exact same amount down to the dollar that was theoretically saved, you know, by averting the fiscal cliff. And so I do think what you're beginning to see happening is that folks who have been impacted by this in very direct economic ways, constituencies that traditionally have not been on the left or part of the Democratic conversation, you know, are beginning to take notice.

There was a great story a couple of weeks ago in the national journal, and the story began by talking about someone homeless came out of central castings of the Republican from Norfolk, Virginia, small business owner whose shop had been flooded two or three times because Norfolk was in a very low-lying area from the rising waters, and floods that typically had not occurred as often. And he was someone who was coming at this as a Republican, but who had been impacted in a very direct way by the economic realities.

So I do think that as, whether it's publicly-held company, whether its farmers in the Midwest, whether it's the insurance industry, I think a potential common ground are the economic implications of climate change.

And, you know, one of the issues that has been in the forefront recently is, you know, what are we supposed to do in places like Florida, and up and down the Atlantic Coast, whether people can go back to places that they had previously lived, even though they're ultimately going to potentially be bailed out by the government again, if there's another type of a storm which is likely to happen. And so, that's a potential area where both parties can potentially come together just because of the economic issues and the fiscal implications.

Greg Dalton: Steve Schmidt.

Steve Schmidt: I think one thing that people in both parties agree on is the need for energy. It makes our world that we live in today a very modern, a very high-tech world. It doesn't function without energy and people, whether they're Republicans or Democrats in this country, they have an expectation that they're going to have access to cheap energy. Then when you look inside the political parties, you have extreme voices on both the left and on the right, catering to their own basis of both parties that make it very difficult like in so many other areas of government dysfunction right now to have a conversation about this issue.

But as you look out ahead over the next decades, water for example on its scarcity, will become an increasingly important domestic issue, an increasingly important global issue. You talk to people on the East Coast about water in a western context, they look at you with a strange look, "What do you mean there's not a lot of water out west?" But all of these issues and the climate change issues that Chris has talked about, the superstorms that we've seen over the last couple of years develop, you know, all of this will conspire together, I think, to drive a policy discussion forward in a really acrimonious, very partisan time that we live in.

Greg Dalton: And do you agree that there's actual those costs are -- they're not future costs? For so long, climate change was something for 2,100, for grandchildren and polar bears far away. Do you agree that those costs are being felt in the present time by people of all political persuasions?

Steve Schmidt: I certainly think that when you look at a storm like Sandy, you have enough people out there that are saying that this is causal from climate change. Whether, you know, you find a scientist who says that because of climate change, this event has happened. I think it's a different thing. But I think that certainly, if you have enough people living in coastal areas and you look at

the population centers of the country, and you look at the population center between Boston down to Florida living within 90 miles of the coast, it's an enormous number.

So if those people come to believe that climate change is causing these storms, causing these problems, causing these economic events in the state, they may drive a policy debate forward. I also think one of the interesting things, you know, politically that will begin to shake out in 2016. I mean if you watched the Republican primary debates in 2012, it was truly -- I mean it was the best reality show on TV any given night. And I think that we will not have a strange, a cast of characters collectively in the next race.

And I think that with Chris Christie who is likely to run for president, really the face of Superstorm Sandy to a large degree, a northeastern Republican, it will be interesting to see if there's some evolution, no pun intended, on this issue.

Greg Dalton: So what does that look like? What is this that you said that if there's agreement that there's something to address, what is the common area where they could come together? What's the solution? What's the way to tackle climate change?

Steve Schmidt: I think that the debate that we have today is a very much a binary debate between two polar extremes and I actually think, and it's where I would put myself, I think that there is a third space that we don't talk about very much. You have guys like James Inhofe from Oklahoma, who just say, you know, "This is a total scam. There's no such thing as climate change." And I just -- you can't argue with the science on it and I think he's obviously he's out in left field on that.

And then the other extreme is, you know, on the other side is that, well, climate change is real. And so here's the scheme, here's the policy that we're going to impose by regulation or by law to do whatever, and there's not a lot of discussion about what the total impact to reversing climate change would be. Is it possible to reverse climate change with a policy that's unique to California or unique to Washington State?

So what's the total cost that we're willing to impose on ourselves on our economy on economic growth for what impact and we don't have a lot of discussion about that. Because when you regulate, when you ban, when you do all the things that some on, you know, some of the people that are talking about, without considering those things, I just think it's A, it's detached from reality to a degree. And B, we're not going to be able to have a consensus, a policy of what to do unless you count the economic impact.

Greg Dalton: Chris Lehane, the Democratic solution for this is to put a price on carbon pollution through cap-and-trade or maybe a carbon tax. And the reality is that energy prices will go up in that case.

Chris Lehane: Well, first, my point fall into the category that Steve described as the other extreme and I'll just jump in. And again, with all respect to Steve, I think we're already paying a lot of those economic consequences. And then we talked about the impact that climate has had on all sorts of different areas of our economy. That's also having a huge impact on our health. You know, it's having a huge impact around the world just on issues involving people's safety.

So all those things are already taking place and they're also taking place in a context of whether there's an enormous subsidization already of the fossil fuel industry. So I mean just to be clear, right? Some of the stuff that we already are suffering consequences, those consequences are being born by everyone in society and you have an industry that already is being subsidized at a significant level.

So what is the answer from the Democrat side or the progressive side? Look, I think there are a variety of ways to look at this. First of all, I don't think it is a zero-sum game where, you know, costs go up if we decide to do this. I mean the reality is if you sort of take it into account all the costs that are taking place already, there's a pretty compelling argument that, in fact, costs go down in terms of what everyone is paying and what individuals pay.

Secondly, there's no question that there's going to be a clean tech economy. That is already happening. Now the real question is, are those jobs going to be here or are they going to be overseas? And I guess my perspective is, I'd much rather have those jobs here specifically if we do the right policies. I was involved in -- you referenced it earlier -- on Prop 39 which is an effort to close a loophole that existed in California and used the funds to support clean tech. And those funds are specifically going to be used to do retrofits of schools all across the state.

I mean that will create in and of itself, and if I'm remembering this correctly, you know, somewhere in the neighborhood of 50,000 jobs, you know, long-term jobs to retrofit schools all across the state. Now those are jobs that are going to be here. That is a policy that we're putting in place that's not going to have an economic impact other than the following. It puts a lot of people to work.

It's going to save enormous amount of energy bills for public schools that then get cloud in the classrooms and back to the students. And it's the largest societal implications are pretty significant in terms of what it's doing to the quality of air.

Greg Dalton: Steve, let's have your comment on the subsidization of fossil fuels and there are costs that are being paid but born by society and consumers today.

Steve Schmidt: Well, when you have mentioned I work for Dick Cheney at the beginning of the program, I remember once before I say or I'm about to say here, I remember once being in the limo with Dick Cheney coming through San Francisco. I looked out and I said, "Sir, look, everyone is waving at you."

Look, I think when you look at if we're going to term the oil companies, energy companies, the fossil fuel economy, fossil fuel economy, the energy companies have lifted more people out of poverty into the middle class, creating economic growth worldwide, more than any other industry in the history of the world ever. Our entire world is driven by the energy produced by these companies and I think so many of these companies are vilified and vilified by politicians.

Big energy companies, Chevron in California. Is California better off with having Chevron located in it? I think the answer is absolutely of course it is. These are companies that operate in places as remote as the moon. High technology companies employing hundreds of thousands of people, scientists, engineers and they are able to extract the resources used to power our world overwhelmingly, safely without incident. Of course, there are accidents and there incidents. But the notion that in the short-term we're going to be able to eliminate our dependence on oil, on natural gas and other fossil fuels, I think is fantastical. I think that we should have an all of the above approach. But when it comes to --

Greg Dalton: I've heard that before somewhere.

Steve Schmidt: When it comes to approving things like the Keystone Pipeline, it makes no sense to me that we would allow a pipeline to be built to send fuel energy to Asia, but not allow it to come south to the United States. And clearly in my view, getting energy from Canada is better than the alternative of importing energy, for example, from the Middle East where there are significant consequences from doing that.

So I do believe that government has a role in research and funding research and driving advancement. But should the government be in the business of picking winners or losers, being in the venture capital business per se. I'm skeptical that over the long run that that's the right way to drive growth in this industry.

Greg Dalton: Chris Lehane?

Chris Lehane: Yeah, a couple of things. You know, first of all, and again, good friends here so we're going to -- I think first of all, I'm playing to a home crowd here which I think gives me a little bit of advantage but -- and Steve gets very coverage points for showing up at this particular forum. But first of all, right, if you talk about industrial policy, which I think what you're indicating, winners and losers, that's happening right now with the fossil fuel. I mean you are picking winners and losers through the level of subsidizations that take place.

Second of all, we have something called Silicon Valley. Silicon Valley was created in no small part because of DARPA and military-funded programs that was effectively picking winners and losers. The aerospace industry in California was basically funded by the federal government which picked winners and losers in that context. So we have a government that over time has a record of picking winners and losers.

And then with the Keystone, the Keystone argument to me makes a lot more sense of what you said is accurate. I think the challenge is that it's not necessarily the case. And what we have now learned are two things.

First of all, TransCanada, the company that owns Keystone, in fact is not going to have the oil shipped through a pipeline and then deliver it to U.S. auto drivers. What they're going to do is ship it through the pipeline to refineries in the Gulf Coast, and then ship it to Asia, and in particular, to China so they could have cheap energy to make cheap goods that they dump back into the U.S. and we lose jobs at the end of the day.

I mean TransCanada themselves have a knowledge that they cannot commit to this gas going to the United States. They've been pushed on that a number of times and they refused to agree that they'll put the oil here. The reality is that they actually cost them more if they put it on trains and ship it to the western side of Canada, refine it there and then sends them on ships. What they want to do is send it on the pipelines so they can actually have a cheap source and increase their profits.

Secondly, the amount of jobs that are created like a job is incredibly important. We all agree to that. There will be jobs -- some jobs created in terms of the actual construction of the pipeline, but TransCanada's own folks having knowledge that it's only going to create 35 permanent jobs. So like 35 permanent jobs to send oil to China, to make cheap goods, they hire more people in China and we end up losing jobs here. I just don't think that makes a lot of sense.

Steve Schmidt: Well --

Greg Dalton: Steve Schmidt?

[Applause]

Steve Schmidt: Well, look, all of the oil that would come out of the Canadian tar sands. And whether it ultimately winds up in Asian markets, whether it winds up in a domestic U.S. market, do we want to have -- and it would be thousands of jobs building the pipeline and I'm aware of the statistic on the, you know, the 35, you know, that with the permanent jobs. But the amount of economic activity that will come from the construction of the pipeline and our market, of course,

when we import oil when it goes into an American refinery, you know, where it winds up?

I mean part of the rhetoric around, you know, that we're going to be energy independent, right?

That all of the oil that comes into the country or all of the oil that we mine in U.S. territorial, that we exploit in the U.S. territorial waters, you know, some of that is exported, you know, some of it stays, you know, domestically.

But I think when you look at all of these issues we want to have safe drilling off the coast. I don't want to do it off Santa Barbara. I don't want to do it off of Monterey. But we need to be able to, I think, extract resources, whether they be natural gas, fracking is going to be a huge issue of debate that takes place over the next decade, and I think it's very important. And you look at some of the economic activity that's going to come, you know, from fracking at some places that are very -- you know, there are very tough economic times in upper New York state, where you've had a job deficit, you know, for a very long time. You look at the economic boom in North Dakota, for example.

So there's huge economic impacts around our ability to exploit our natural resources and there always has been. And so my point is, is that we should have balance. And the point that you're making on, you know, the government picking winners and losers, you know, through the tax code, which they certainly do. And, you know, agreed completely. Completely that we should have fundamental tax reform in the country, and the government should largely get out of the business through the tax code of subsidizing some companies, penalizing other companies. We have the most uncompetitive tax code of any major economy in the world by a lot.

And so, you know, I'm someone who, when you look at subsidies to various industries, various industry sectors, including the energy sector, including the agricultural sector, including the sugar industry, for example, we should take a look at all of this. But when you look at government research, whether it was, you know, ultimately in a DARPA that fuel the internet, whether it was through the space program which had enormous applications into the domestic computing market.

And then, of course, so much of our technology today came through defense spending, you know, and innovations there. So I think government spending does drive innovation. But I think that, you know, the government giving direct cash grants to different companies, you know, in the form of almost venture capital, again, I'm just skeptical that that's the most effective way for government to spend taxpayer dollars on this stuff.

Greg Dalton: If you're just joining us today at the Commonwealth Club, our guests are Chris Lehane, the Democratic strategist; and Steve Schmidt, the Republican political strategist. I'm Greg Dalton. Let's talk about President Obama's records so far and what we might expect to see, what you'd like to see in a second term. Steve Schmidt, how has he done so far on energy and the environment so far and what would you like to see in the second term?

Steve Schmidt: Well, he's done a much better job than Republicans give him credit for in the space. He's had a more balanced approach than you would see, for example, on if you were watching Fox News, you know, all day. And, you know, he has open areas to drilling. You know, he is not as expansive as I would like him to be on new fronts.

Greg Dalton: Supported nuclear power and --

Steve Schmidt: Supported nuclear power, supported, you know, for example, you know, some resource drilling in the Arctic. And has obviously taken a very, very tough line on coal, you know, so far and I think that you're going to see, you know, I think that it's pretty clear.

Greg Dalton: Is that a good thing?

Steve Schmidt: Well, you know, look, I think when you look at coal, there's an issue, for example, in the Pacific Northwest. We're talking about building export terminals to ship low-sulfur coal from the Powder River basin to China and the alternative coal that the Chinese would burn, absent the lowest sulfur burning coal in the world would be Australian coal or Indonesian coal, which is a dirtier coal.

We have a lot of jobs in this country on coal. How we sequester the greenhouse gases out of coal-fired plants, how we burn that cleaner, I think that's something that government should spend money on. Because a lot of our electricity in this country comes from coal-fired plants and the notion that we're going to be in the next five years, 10 years, 15 years, 20 years free from coal, I don't think is reality based.

And so I think that politically, the administration has made the decision that they're going to try to do this through a regulatory process, not through a legislative process. I think there's going to be enormous regulatory fights, even at a higher and sharper and more serious degree from the EPA and some of the environmental regulatory agencies against this industry because they can't do it legislatively.

Greg Dalton: Chris Lehane, how has President Obama done so far? What do you expect in the second term?

Chris Lehane: You know, whenever I'm asked this question, I'm always reminded of, you know, three presidential debates. And when the issue of energy or climate -- and I think this reflects just broadly on our political process and how it works. But when the issue of energy came up, you know, in all three debates, really both candidates, both the Republican and Democrat, you know, effectively cried to what I would say out oil one another, which to me was a pretty telling moment in American politics and I think it -- they'll look at somewhat dependent on your premise about where we are, right?

If you believe that we can do things in incremental way and that there are still questions about whether we can reverse the warming of the planet. Then I think you'll look at some of the stuff that the president has done and it's exactly as Steve described, which is, it's a very balanced approach which as the president himself has described it as the "all-of-the-above" approach.

If on the other hand your premise is that, you know, the evidence on most of the science would suggest this that the earth is warming at a pace that's not sustainable, that GDP could potentially be impacted right now by 0.8 percent by extreme weather. It could potentially be impacted by three percentage point by the year 2030 if the temperature gets, you know, increases over two degrees Celsius, catastrophic things happen. If you believe that that is the case, if you believe that we're already programmed to have an enormous amount of carbons that will be burned, you know, over the next 30, 40 years, then I think your perspective on it is that he has not done enough to reflect the urgency of the time and the issue.

And my perspective is that if I have a -- and I'm borrowing this from an author who I heard he used this argument -- that, you know, if your kid has a fever and you were told that that fever is going to increase above 100 degrees unless you do something quickly. And I mean I know as a parent, I'm going to take every action I can to make sure my kid's fever doesn't get over that certain number.

And so I think for those of us who do believe that we are warming at a rate that's not tenable that we need to do things now that we can change pretty significant things. You know I used the child analogy and think that we need to take more drastic actions.

Now, I think that some of the stuff is really going to play itself out over the next three or four months because you have two big issues. One, that we touched on which is Keystone. And then the second is going to be what happens with the EPA regulations on mission standards and there's a potential for the president to move forward through a regulatory process to put such mission standards that will have an enormous impact on the burning of dirty, particularly dirty coal.

Greg Dalton: Steve Schmidt, how urgent is climate change?

Steve Schmidt: I think that climate change is real. I think that there is a great deal of anecdotal evidence to suggest that a lot of the weather patterns that we're seeing are climate change induced. But the policy debate, you know, having a good intention and then following through with a big speech and announcing a very complicated policy regime that will be written by thousands of lawyers in Washington D.C.

I'm skeptical that there's yet any policy solutions that are going to reverse any of this that are on the table, that are feasible and that are doable. And I think that's where the debate is going to play out over the near term. We'll talk about California AB 32 tonight. But a prerequisite to having an effective policy, you know, that can deal with some of the stuff because we all talk about the fact that, at the end of the day, anything that you do with regard to policy and climate change is going to raise energy prices. You can't do that in the type of economy we have today. You can't do that in a low growth, high unemployment economy.

So before any policies, you know, can be put forward, that can be advanced, that have any impact in this country, we're going to have to be in a high growth economy again. We're going to have to be in an economic recovery. And I also think that scientifically, the science rejection by too many people on my party, you know, was followed, for example, you know, by misguided policies, you know, in the other party. I'll give you a great, you know, example. You know, it's an issue my firm is actually involved in.

But this whole fight over plastic bags, you know, and municipalities all over the country, you know, wanting to ban plastic bags. When you ban a plastic bag, you increase global warming output because it takes 3.5 trucks to carry the paper bag replacements that would go in one plastic bag truck. The amount of water to make a paper bag versus a plastic bag is four X.

So judging by carbon output, what is and what is not better for the environment? When you look at the totality of all of these issues on the economy, you look, for example, Chris talked about mileage standards. We have the proposed American-European Free-Trade Agreement. One of the things before you could have a free-trade agreement with the Europeans is we would have to reconcile mileage standards on automobiles, because the European standard is so much higher than the American standard to get to the end of the free-trade agreement.

So I think it's real. I'm alarmed by it. But the notion that an individual state or a municipality can take action that's going to reverse, you know, the rising of the tides, I'm skeptical about because it's going to have to be a global solution to a global problem. And it would be very difficult to convince the developing world that's very quickly moving its people out of poverty to look at countries like ours that have been industrialized, you know, for 150, you know, 175 years and say that, "Oh, now as we're rising, we're going to be dictated to by European, by U.S. powers about our inability to grow the economy." So I think it's a tough issue.

Greg Dalton: Chris Lehane, let's pick up on a point that no one entity, whether it's California or the United States can tackle this alone. It's so big that anyone state or country, it's hard to get their arms around it, and particularly California, that what they're doing maybe misguided.

Chris Lehane: Yeah. And first of all, I think Steve's point is 100 percent correct, which is at the end of the day, there has to be a global solution and everyone has to be involved. With that said, China and the U.S., I believe if I have my math correct, account for somewhere around 40 percent, you know, of the initiatives to take place. And historically, particularly given the stat count profile of this country globally, you know, it has been the U.S. that has led on global issues.

And so I do think it's somewhat if we do believe that this is a problem and the problem that has particularly acute, then ultimately it does require that U.S. global leadership and that's why I think some of these things that we're talking about are so important. Obviously, I think people are pretty well aware of what happened at Copenhagen, you know, and the lack of any really consensus or resolution and, you know, questions about whether the U.S. was really planning an effective leadership role at that conference.

But in terms of, you know, looking at place like California can do, first of all, I think California has historically served as a platform for national change all across this country on a variety of issues. So by the fact that California has done it and the economy hasn't stopped, in fact, a lot of good things have happened with the economy as a result of it. It serves, I do think, as a marker or an example.

And even within California, you've had some cities, particularly Los Angeles, which has done some pretty remarkable stuff. I think Los Angeles will be coal-free by 2030, if I'm remembering correctly, and that's now serving as a model for a bunch of other cities across the country. They're taking a look at what Los Angeles has done and looking for ways that they can emulate that, which obviously has a national impact.

And then, you know, looking in terms of what countries can and cannot do, I mean I'm only struck by what a country like Brazil did, which has been pretty short order converted its automobile industry, you know, from the traditional gas to an ethanol-based gas economy. Now, there's all sorts of issues that go with that as well, but they're able to do that in a very short time period.

And again, if you believe that this issue was really acute, and again, I keep coming back to my basic perspective on this which is, I do think we're already paying significant economic costs. I think the economic costs are only going to increase. Those economic costs could be potentially enormously debilitating. If you have a three percent three-point drag on GDP over the next 10 or 15 years because of the impact, that extreme weather is having, climate change is having, I mean that is an enormous consequences on job production, on economic growth.

So I do think just for me, even if you may not believe that there are problems with climate change, it is having an impact on GDP and you have to get your hands around that and address it, just purely from an economic perspective.

Greg Dalton: Chris Lehane is a Democratic strategist and former adviser of President Clinton. The other guest today at Climate One at the Commonwealth Club is Steve Schmidt, Republican strategist. Let's talk about -- Chris Lehane talked a little bit about social change starting in California. We've seen something quite remarkable on gay marriage recently. Senator Rob Portman from Ohio came out and said he has a gay son. There seems to be some real and profound shifting. Things that we didn't think we would see a few years ago are happening around marriage equality. Steve Schmidt, could something like that happen around climate where the party shifts gradually where it becomes clear that which way the winds are blowing and then the politicians get on board?

Steve Schmidt: I think it's a different issue than gay marriage. But in this one regard, it's the same that the energy in this issue is in a demographic that's under 40 years of age. All of the

Republican climate deniers that you see, you know, what they share in common largely is their 80, 70, 60 years old, and you talk to Republicans in their 40s, for example, and younger, you know, they don't deny that climate change is real.

And so -- and maybe I was inarticulate at the beginning talking about this but when the debate takes place between is climate change real or it's not, I don't think the American people are particularly being done a service by that debate. If you take the scientific evidence is totally clear that in fact climate change is real.

You know, there's a much different debate that should be taking place is how do we deal with climate change? What are the policies that will work? What are the costs of those policies and how do we strike a balance? How do we have a global solution? But there's no doubt that over the next decade, you know, the amount of Republicans who are so adamantly denying the science of climate change, will diminish by attrition.

Greg Dalton: Let's talk about some -- at the state level, it seems to be very different.

Steve Schmidt: The cycle of life.

Greg Dalton: So history, yeah, but the scientists would say that we don't have that much time, that it's urgent, that the things need to be done sooner. In fact, many Republican governors, Governor Brownback in Kansas, has supported wind energy. Governor Christie has supported solar in New Jersey. Governor Perry in Texas has supported wind energy. Governor Jindal in Louisiana has supported solar energy. So why is this so different at the federal level where this kind of this history debate we're at the state level? Governors are seeing jobs and opportunity in their state and their onboard, at least in some --

Steve Schmidt: Look, I don't know of any Republican office holder at the federal level who would say, "I'm against wind energy." Or, "I'm against solar energy." Or, "I'm against this type of alternative energy." I think that most people in --

Greg Dalton: Well, a lot of them held up their production tax credits for wind energy which was a big deal for the wind industry.

Steve Schmidt: Right. So the issue then becomes, as you look at a balance sheet, and I think it's a legitimate debate over is what are we spending on this --

Greg Dalton: The cost.

Steve Schmidt: -- and what's the return that we're going to get on it. And, you know, one of the things, I mean, that I think is totally absent from the political debate in the country and I'd say this, a lot of self-criticism as a Republican. Republicans who rage against government spending and rage against the deficits and the size of the debt in the country.

I mean we're as every bit as guilty as the Democrats in driving up the debt in this country but we're responsible it. Democrats are responsible for it. The entire generation of political leaders, are responsible for bringing this country closer to the edge of insolvency. And whether it's in five years or 10 years, we're not on a sustainable fiscal path. And the debate about what this stuff cause and what is the value derived of it from government spending is a debate we better start having in this country because the debt crisis that will ultimately come, the bond crisis that will ultimately come, the crisis that will come when the U.S. dollar has dropped as the reserve currency in the world.

You know, this day is not that far off into the future and it impacts all of this. And, you know, I think

one of the things that's important, you know, I think for folks to remember is when you talk about protecting the environment and being a good steward of the environment, it's very tough to protect the environment and be a steward of the environment without money. And you don't have money if you don't have economic growth and a growing economy. All of the states that are in tough economic times, all of them lined up cutting the amount of money that they're spending on environment protection and enforcement. We need a growing economy in order to be able to protect the environment.

Greg Dalton: Chris Lehane, we're talking about some really tough choices here and I've been talking with urban officials recently. They're talking a lot about spending to protect the infrastructure that we have. Take the San Francisco Bay Area just protecting the roads we have from sea level rise, from extreme weather events, we're going to have spend a lot of money to keep what we've got.

Chris Lehane: Yeah.

Greg Dalton: And that may mean the Democrats may need to give a little bit on some near and dear issues like entitlements or something else, and it made some real tough choices.

Chris Lehane: Sure. A couple of points, first of all, when you ask the gay marriage question, it remind me that, you know, Steve is actually one of the heroes because he's on the Republican side and the movement for having stood up on this very early and spoke out on this. So --

Greg Dalton: It's true. He did a video on that one.

Chris Lehane: So a lot of bonus points for that and very courageous for doing that. Okay. So much this keeps coming back to, you know, what your perspective is on this, right? As you were indicating, all of these are costs that were bearing at some level because of what's happening with climate. And there's no question that we need to take a big step back and get our fiscal house in order for long-term but that's not an either or. At some level, some of the enormous problems that we are having that are pretty huge financial pressures on us are coming from some of the issues being generated by extreme weather and climate.

You're talking about, I think, a billion dollars a pop every time you get one of these storms that people typically -- that we have typically not seen. You're looking at the impact that's having on public companies. You have a company like Coca-Cola, which has to close down, you know, its water source in India because that loses its water. That has an impact. We talked earlier about the impact on crops in the Midwest when there is a historic drought that drove everyone's food prices up. That has an impact on the fiscal state of the country.

So these things are already at the health of our people. All those things I do think we need to take a big step back and certainly and Steve touched on this. You know, look at our tax structure. And look, here in California, we have a discussion going on right now about whether we are going to allow the extraction of natural gas along a big chunk at the state. We're having a discussion but we're not, at the same time, having a discussion about whether once and for all we'll become the 50th state in the country to have an oil severance tax. We do not have an oil severance tax. Forty-nine other states in the country do. Texas does. Texas uses the money to fund an education system. We don't have those.

Greg Dalton: Some of those states don't have income taxes which company compensates.

Chris Lehane: So my view would be, and again, if I could wave a magic wand, we should pass oil

severance tax and use a piece of it to lower the income tax burden here in California.

Greg Dalton: if you're just joining us, our guest today at Climate One of the Commonwealth Club are Chris Lehane and Steve Schmidt, political consultants. I'm Greg Dalton. We're going to invite your participation and put a microphone up here and encourage you to join us for one part question. If you need help keeping that brief, I'm here for you. And if you're on this side of the house, please go out through that door over there rather than crossing these camera lines. The line begins with our wonderful producer, Jane Ann, over there.

And while we get that organized, I'm going to ask one other question which is, Steve Schmidt, in 2005, John McCain was a leader on climate change, pushed some legislation on the Senate, was out early on this, and he and a lot of other Republicans have walked backwards at the time when the science have become more urgent and clear. They have been taking a different position. In fact, one Republican Bob Inglis was voted out of Congress, partly because he said, "I believe in the science. We got to do something about it." So explain the politics and the science going in different directions.

Steve Schmidt: Well, let's be clear too like on climate change legislation is there was a great absence of Democratic votes, you know, for it as well in Nevada --

Greg Dalton: Coal state Democrats. Yeah.

Steve Schmidt: -- in that period of time. So once it became clear that no legislation was going to pass and that there was potentially a political price to pay in a Republican primary. All the Republicans, you know, congressmen and senators took a pass on the issue, and have been missing in action on it, you know, ever since. But, you know, there's not -- you know, but the reason that we can't move climate change legislation of any type forward is a function of both parties, not just Republicans.

Greg Dalton: And does it have anything to do with the campaign funding where the money is coming from?

Steve Schmidt: No. I don't think so. I think it has to do with -- well, you know, people can laugh but I'm not sure they understand how campaigns are funded. I think the reality is that the job implications in a lot of the states make it very difficult for people to get on board and Illinois being a great example.

Greg Dalton: Chris Lehane is campaign funding, fossil fuel funding in Congress an issue in the votes?

Chris Lehane: Look, I mean there's no question that, you know, the ability to spend money and their significant contributor is going to have an impact on the political process, whether it's direct contributions to candidates and potentially creating greater access to those candidates, whether it's outside spending. I mean the reality of politics which is that, you know, those who have money and can leverage that money are going to be able to have an impact.

You know, when you look at, again, not the fossil fuel industry, particularly the petrochemical industry, you know, has spent not only an enormous amount of money in impacting the political process, they've also spent an enormous amount of money impacting the broader environment. They spend a lot of money on television commercials. They spend a lot of money, you know, funding foundations that put out various reports and information so the money gets out there in all sorts of different ways.

But I do think that Steve's basic point that was still right, which is that this is not just uniquely a Republican problem nor a Democrats' problem. Both parties have not necessarily shown the profile and courage, you know, on this particular issue. And at some level, sometimes the issue breaks down less along purely partisan lines and more along geography lines. Like where are you from? Which state do you represent? How those issues impact? And you go back and, you know, I think to the -- like one of the president's experiences was, when he was taking a look at various environmental issues in the first term. He didn't necessarily get the support that he was looking for from certain people in certain states that it made it very difficult for him to move forward.

Greg Dalton: Let's have our first audience question for Steve Schmidt and Chris Lehane. Welcome.

Female Audience: Thanks. It's not a climate question so I hope this is okay, but it does relate to gay marriage. Steve, since you truly are one of the best Republican strategist out there and was very involved in betting on the McCain-Palin ticket. Do you think that Rob Portman having a gay son, entered into Romney's decision not to pick Rob Portman?

Steve Schmidt: No, I don't. Rob Portman is a terrific guy. I know him really well. You know, he is someone who is going to wind up again on the short list for vice president and I can count just -- you know, I won't name names. I could name 10 U.S. senators and at least 25 members of Congress, who support gay marriage privately but just don't want to challenge and confront the base. But what Rob Portman represents is like a cracking of the glass so to speak, because there is not going to be a political consequence for Rob Portman. He's not going to lose a Republican primary over the issue of gay marriage.

And one of the great things that's going to happen, I think as a result of Rob Portman coming out in this position, is he'll have groups like the National Organization of Marriage or huff and puff and stomp their feet. But, you know, those people couldn't organize a three-car motorcade and the reality is going to be that people are going to see that they can take a stand on this issue as a matter of conscious and conviction. Get on the right side of history and be consistent with the historical foundations of our party as freedom and equality. And I think you'll see more and more people over the next year or two begin to do that.

Greg Dalton: Will there be a consequence of being on the wrong side of climate history?

Steve Schmidt: I think it's too early to tell. You know, someone is going to be proved right and someone is going to be proved wrong. But I also think, and again, I keep coming back to this point in the debate. You know, Bill Gates and the Gates Foundation have revolutionized philanthropy by putting metrics around how you spend money. Bill Clinton, you know, has transformed the way the charitable money is spent through the Clinton Global Initiative by putting metrics around it.

And an important part of the climate change debate and the policies that get enacted or don't get enacted, a lot of it is going to have to do with how proponents talk about metrics and how they define metrics. Because I think most people will come to agree that the problem is real and I think that most people will come to agree that the people who are working to solve the problem have good intentions. But what is the actual consequence and metrics you can judge the effects of policies by and I think there's ways to go on that.

Greg Dalton: Let's have our next question. Welcome.

Male Audience: Thanks. A lot of the solutions that we've seen floated for addressing climate change in the U.S. have come from Democrats as of late. Many of those ideas were Republican

ideas. So assuming climate change is as bad as the people who work on it at a daily basis are telling us it is. What is a Republican response to it really at the last for that is? We haven't heard much about it.

Greg Dalton: What's a republican policy response if cap-and-trade is a political poison. What is a Republican policy response?

Steve Schmidt: There is none. I mean that doesn't exist. I mean I'm not sure that -- I think that there's a unified democratic response but I think Chris can make an argument that there is. I mean there's definitely not a Republican one. There's just not. (0:48:15)

Greg Dalton: A carbon tax is one thing that's former Secretary of State George Shultz and others --

Steve Schmidt: Right.

Greg Dalton: -- saying a carbon tax

Steve Schmidt: I mean I admire, you know, one of the great privileges of my career is getting to know George Shultz pretty well during the Arnold Schwarzenegger campaign. I admire him immensely but, you know, certainly that is a view that is not reflective of either the, you know, Senate conference, the House of Representative conference or the, you know, real basis of a Republican, you know, Republican Party on it.

Greg Dalton: Or anyone in elected office.

Steve Schmidt: Or anyone in elected office.

Greg Dalton: Chris Lehane?

Chris Lehane: You jumped the other day, right, that the Republican leadership on this began and ended with Teddy Roosevelt. That's not necessarily the case. I mean you do have the first President Bush who did take leadership and pass, you know, the Clean Air Act at which by the way was based on regulations and they did have metrics, and ended up being a very effective piece of legislation.

But even Steve's former boss, you know, here in California which is Governor Schwarzenegger teamed up with Democrats in the State Senate and the State Assembly to pass AB 32 which, you know, is effectively a cap-and-trade system that now exists in California. That was the governor's, I think I could certainly say hallmark legislative accomplishment or one of them but certainly up there. I think and I certainly can't speak for him but he obviously became -- someone who became a bigger and bigger proponent, and more and more involve on this issue in his time and office. And I think deserves enormous credit as a Republican for really leaning on that.

And to me, it's a U.S. the very beginning and folks come together. You know, that is an example of a republican governor, a Democratic legislature, obviously a Democratic state coming together and actually passing something and doing something that is really big and pretty substantive.

Steve Schmidt: I do --

Greg Dalton: Steve Schmidt?

Steve Schmidt: I do think on one of the points that, you know, that you said. Only Nixon could go to China. I do think it will take a Republican president to advance this issue forward and bring the party along. I think that -- and we will have a Republican president again at some point. It's

inevitable in a two-party system. But I do think it would be a Republican president that was able to bring his party along and then do a deal with Democrats as opposed to, you know, unified opposition you have now in the Republican.

Greg Dalton: I want to go to the audience question. But first Chris Lehane, is that true that Republicans are more likely to deliver the goods on climate than a Democrat who will face an incumbent opposition?

Chris Lehane: I think it's somewhat dependent on how you think, you know, our political composition is going to evolve over the next five or 10 years. You know, one of the things that you take a look at is how voters under 30 -- Steve talked about the attrition at the other end -- you know, do have more voters under 30 coming into the voter pool. And those folks have a view on this issue, you know, that is very robust, very aggressive.

Obviously, it's going to implicate the lives that they're going to lead and if they approach this in a way where this is a top-tier issue. If you look at polling none the issue, and even, you know, with a lot of Republicans, there are people who basically take the view of this. Something is going on out there but not necessarily the point from just a pure polling perspective, you know, where people have been willing to express a commitment to making some of the hard decisions, which then, you know, politicians read that.

Politicians typically do not lead, they follow. They follow where the public is. So ultimately, they get that social change and the need to begin having the actual electric change but I do think that's happening. And, you know, my hope is that it's not going to take a cataclysmic event to get that major change in some respect. You already had a bunch of big events between Superstorm Sandy and others, but maybe this follows the trajectory of healthcare which is healthcare began in the late 80s, in the early 90s, you know, as a Democratic push.

There was an election in Pennsylvania. President Clinton pushed it in his first year in office and wasn't able to get it done. But then fast forward, you get to Obama, enough support had move that you're able to pass it. The question in climate is if the extremist people and the scientists are saying, "Can you wait that long for that type of change to happen?"

Greg Dalton: Chris Lehane is a Democratic strategist and former adviser to President Clinton. The other guest today at the Commonwealth Club is Steve Schmidt, vice chair of Edelman Public Relations and strategist for Senator John McCain's presidential campaign. I'm Greg Dalton. Let's have our next audience question. We got about 10 minutes left. We'll get in as many as we can.

Female Audience: My question relates to your comments on the differences between states and also to about Rob Portman. My home state Ohio and I look at that and I'm now here. And when I'm out -- and this is a personal anecdote, I think, exemplifies what I'm trying to say. When I was out walking my dog this week by the bay on the island where I live in the bay, I saw these huge rolls of material that were used -- we're going to use to shore up our shoreline, because the extreme high tides have hoisted away and we're at sea level in the town of maybe below, and there's a lot of very valuable homes there. And so whatever our homeowners association has decided to do, it's there. They have to do it. Now how would people back in Ohio relate to that?

Greg Dalton: Thank you. So it's real for some people. Some people aren't living it yet. Chris Lehane or Steve Schmidt?

Steve Schmidt: Well, I have a different answer to that but go ahead.

Chris Lehane: First of all, I would say that if you still living in Ohio, you probably would have had both the presidential candidates walk your dog for you giving them attention to people. You would be able to ask them this question yourself personally. But I feel, you know, Ohio, really the Midwest is dealing with a similar issue with the Great Lakes, which is you've had, you know, a change in the levels of the great lakes. You had, you know, issues in terms of the ecology of the great lakes which you're having a broader economic impact throughout that, you know, the upper Midwest. You've obviously also had patches of Ohio that have had, you know, significant issues with air quality.

So I think one of the interesting things that at least I've discovered as I've gone through the political process on this, is that sometimes is much better to have the discussion very localized. From a political perspective, people in a particular state, if you can relate it to something that they're experiencing or going through, are going to be much more attuned to it than if you're making the broader argument. But I think what is happening, what you're beginning to see in all of these places, climate change and the perils of climate change are beginning to manifest itself. It can be in different ways. It can be with different causes. But people are beginning to feel it in a whole variety of manifestations.

Greg Dalton: Let's have our next audience question. Welcome.

Female Audience: It's wonderful to be here. I'm a co-founder of Move On and inspired by the impressive work I've seen down there in the last decade in D.C. I helped co-found with a conservative partner, living room conversations a couple of years ago. And our first living room conversations were about energy/climate, and we discovered that really we could talk about energy but because we don't even share facts on climate at this point, we could really have that conversation.

So my question is, if you were able to have, you know, tens of thousands of small conversations to co-house two guests each around the country to give support to political candidates that are concerned about this. What would be the conversations that they could have? Where are the shared facts?

Chris Lehane: Specifically in the context of climate and energy, right?

Female Audience: Climate. One of the things that we're thinking about is fracking. Can we find shared facts on fracking? That's, you know, we're having pitched battles around the country and my conservative friends believe the whole different set of facts that are progressive ones and it's just cause your brain to explode because we don't have the same facts to talk about and these are nice people.

Chris Lehane: Okay. At some level, what you're really getting that as a broader and I'll answer it specifically but let me take it globally and then narrow it down. You're sort of touching on a bigger challenge that this country faces and it's an interesting statistic that we have a little bit off but the basic point is right, which is in 1976, when Carter beat Ford, about 75 percent of the country lived in voting districts, precincts, neighborhoods that reflected the general election vote and that was roughly a one-point election.

What you've seen in 2012, 2008 was a bit in that wire because of the margin. 2004 and 2000 is almost the reverse of that, which is that you now have a very small relative portion of the electric that lives in precincts, I mean in their neighborhoods that reflected the overall general election vote, you know, that one point or less in some cases. With the vast majority of people living in what I call landslide precincts and what that tells you is that you now have a society -- you know, people have talked about the red and blue American, sometimes that is over stated to a degree because I

continue to not to think that the golf is that big. But people are sort of self-selecting where they live, who they interact with, the media outlets they listen to or it could be MSNBC versus a Fox World.

And so those are having an enormous impact on the ability to sort of find that common ground Marsh & McLennan had talked about, you know, a global village. And his theory of a global village was that people would be sharing a commonality of information. You sure have a global village in terms of how information moves and the speed in which it moves but it's really bifurcated now and people can specifically select where they get information from, who they trust, who they don't trust. And you watch, you can watch Steve on MSNBC or watch Fox, and you can get two extremely different views of the same exact issue. And I think that, you know, you're seeing that it also reflecting itself at the very local level. On a specific issue of climate, some of the stuff that I have seen and obviously some of us is very dependent on the tone that you take and obviously making sure it's a conversation is, you know, coming at that from the perspective. And Steve has touched on this.

So, you know, not being science denials. All right, let's actually take -- let's have a conversation about whether science has a place and what it can tell us. I also think we saw this -- and this was in California -- but even with Republican voters in California and when we did Prop 23, which, again, was something that Tom Steyer who's based here in San Francisco led, which was an effort to overturn California's global -- the climate change bill that we talked about. We really focus on the fact that whether the jobs are going to be here or in China. People across all the parties forgot the concept that there are going to be clean tech jobs and they want to know whether those jobs would be here or whether they would be somewhere else. And that served as a common area to have a conversation about.

And the last issue that I would just touch on but I do think that there would be some common interest. And again, something that Steve, I think, eloquently addressed earlier which is, you know, having a discussion about our fiscal house and what our tax structure is going to look like. Because at the end of the day, we do have a tax structure that is not doing this country a broader good and there's a whole bunch of areas that you can look at. And I think amongst that areas that you would need to take a look at is the fact that some of the largest subsidy that we provide are going to arguably the most profitable company in the world, which are the oil companies.

And so there are certain places, you know, particularly with main street Republicans where some of those issues will in particular resonate. But again, I think it's an incredibly difficult and challenging time in our country's history in terms of just how bifurcated people are in terms of where they're coming from.

Greg Dalton: Steve Schmidt, Chris almost run out the clock on you there.

Chris Lehane: Yeah, I'm sorry.

Greg Dalton: Let's get you in that with one last question.

Steve Schmidt: No, I -- you know, Daniel Patrick Moynihan, the late great Democratic senator from New York, he said that everybody is entitled to their own opinion but not their own facts. We don't live in that world anymore. So, one of the consequences of media fragmentation is that we now don't share the common experiences that we used to all share. When the sitcom Nash went off the air, a 120 million people watched that in this country. The biggest show, American Idol, maybe get some audience of 25 million on the final night.

And when it comes to politics, just like we don't sit around the radio waiting for our favorite song to

come on. It's plugged into our iPod so is our news and people are going to places where their opinions are reinforced, not challenged. And increasingly, people live in their own bubble world which explains how it is that if you were on the Romney campaign or supporting Mitt Romney, honest to God, despite all the platter of polling information and empirical data that made it clear the president was going to get reelected, they honest to God believed that Mitt Romney was about to win and to win in a landslide.

So it's very, very difficult to operate when you're trying to have honest dialogues about solutions in a culture where everybody's opinions are reinforced by their networks or news sources of choice. And where the people who are rewarded with the microphones are not people looking to build consensus in the middle, you know, but are typically, you know, out on the loony sphere somewhere.

Greg Dalton: Let's have one last audience question. Welcome.

Female Audience: Okay. Hi. So we have scientific imperatives saying that we absolutely must take action on climate change very soon and yet we have entrenched politics. What is it going to take, Steve, to move the Republican Party and to move these last kinds of Democrats who won't vote to actually take action? Is it going to take, you know, change in campaign finance and a lot of money coming in behind climate? Is it going to take a grass-tops leaders and industry coming out? Will it take children and grandchildren coming out to their parents who are elective leaders saying, "I'm a climate supporter." Is it going to take FEMA budget coming on to par with growth and GDP? Will it take good parity for clean energy? Like what do you think it's really going to take together Republican Party to move?

Greg Dalton: Steve Schmidt?

Steve Schmidt: I'm going to answer her question by talking about guns for a second. We had a terrible tragedy in this country in December that I think for every person in this room and, you know, certainly, every person that is a parent and maybe most acutely for people who have kids the same age or approximate age of those murdered children. And I think in my life time, I can't think of a worst story ever happening, an act of evil beyond almost an ability to comprehend it. And look at the political debate that's ensued from that.

I'm a Second Amendment guy but we ought to have some common sense when it comes to issues like background checks to look at the Colorado shooter and people talked about, you know, where there evidence of mental illness. I said, "Yeah." When he was buying thousands of rounds of ammunition to his crappy one-bedroom apartment and the inability of our federal legislators, at least, to work through a solution on that when it was such an immediate trauma when the threat is so real.

It happens every week some incidents of gun violence. So when you look at this issue and it's in the future and people are feeling it maybe if they live in New Jersey or they live in a place that's been hit hard by, you know, by one of the storms over the last couple of years, you know, but the political debate is essentially, "This is the problem. Science says it's real. Here's the sacrifice we demand of you economically, economic growth wise, without being able to talk convincingly what the result of the policy that demands the sacrifice will be."

So I'm not very optimistic in the short-term or the median-term that there's going to be a big advance on this and it's because of, I think, some of the singularities of this issue. But also, the great dysfunction that exists in Washington, the stalemate between the two parties to deal with things they're patently obvious to any sensible person that they need to be dealt with. So I think it's a very tough issue. I think it's a very tough issue to see legislation passed on it anytime soon.

Greg Dalton: How do you think it will affect you and your family in your life time? You live in the beautiful mountains of the Sierra Nevada but on the border between California and Nevada Lake Tahoe.

Steve Schmidt: Look, you know, I think and I'm a New Jersey native. I can't tell you how sad I am about, you know, the Jersey Shore that I grew up going to. It's annihilated. It's gone. It's never going to be back. It's heartbreaking.

So, you know, I think that if you -- if I accept, if I stipulate to, you know, Chris's view of this, you know, over the course of my life, I'm 42 and my children's life, there's going to be major economic impacts, environmental harm. There's going to be water crises that play out domestically and internationally. And people fight over water in parts of the world where they don't have access to it.

But when you're talking about increasingly scarce resources and the instability that it drives, it's scary. But, you know, we live in a scary time and we, you know, have challenges as a country.

And I'll just say in conclusion, not to end on a pessimistic note. You know, what Churchill said about the Americans is that at the end of the day, we'll always do the right thing, although we'll wait to the last possible minute to do it. So we hope that is the case on this issue and in some others.

Chris Lehane: Churchill also said, "There's nothing quite exhilarating as being shot at mist." And I hope when it comes to climate change that, you know, we're in a position that we are able to make some. Look, I'm actually one who is somewhat optimistic on this and I think this stuff is taking place. But I also think the more information that I'm seeing from the electorate, I think people are beginning to get it and I do think you will begin to see more and more people leading. And as a result, the politicians will follow.

Greg Dalton: We have to end it there. Our thanks to Steve Schmidt, vice chair of Edelman Public Relations and former senior campaign strategist for Senator John McCain's 2008 presidential campaign; and Chris Lehane, an author and strategist and former adviser to President Clinton. I'm Greg Dalton. This has been a program at Climate One at the Commonwealth Club. And a podcast of this and other climate programs are available for free in the iTunes store. I'd like to thank our audience here. And on the radio, thank you all for coming.

[Applause]