

Texas Governor Rick Perry: Energy Independence in America

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Greg Dalton: Good evening and welcome to today's program with Texas Governor Rick Perry at the Commonwealth Club of California the place where you're in the know. I'm Greg Dalton, producer and host of Climate One the Commonwealth Club sustainability initiative. Today's program on energy in America is part of the Commonwealth Club's series on ethics and accountability underwritten by the Charles Travers family. Colonel Travers was a great friend to the Commonwealth Club. Rick Perry was a pilot in the U.S. Air Force in the 1970's and began his political career in 1985 representing rural West Texas in the State legislature. He subsequently served as Texas Commissioner of Agriculture and was elected Lieutenant Governor 1998. In 2000, when George W. Bush became President, Rick Perry succeeded him as Governor of Texas. Texas voters have returned him to the office three times. He is here today to talk about making America more energy independent. Please welcome Governor Rick Perry.

[Applause]

Rick Perry: Thank you. It is a distinct honor to be here with this august crowd and particularly in front of the, well just say, a very mature and largest of the public forums in America, the Commonwealth Club. You all have been leasing space, I understand, for almost 100 years and earlier this year you broke ground on a new facility, a new building, so I'm thinking that your former president Shirley Temple Black would be very proud and -

[Applause]

This is a beautiful city. I have now, on a number of times, personally confirmed that the coldest winter I ever went through was a summer in San Francisco. You all have some beautiful weather. A Texan should come here in August often, but I love your climate and I love the creative culture of the city, this area for that matter, Silicon Valley and the innovative technology that we see coming out of that part of our country. Texas actively competes with California for technology jobs but we also compete in practically every sector of the economy and I happen to think that that competition is really healthy. I think it is - when you get down to it, America needs both California and Texas to be incredibly competitive, incredibly successful.

[Applause]

We need that to pull us out this economy. As a matter of fact, this is the slowest we had in 75 years and we need California and we need Texas to both be leading the charge. We together represent some 20% of nation's population and over 70% of our nation's border with Mexico these two States in common and what happens in Texas and what happens in California matters to the rest of this county. I root for this - I know sometimes I get a bit of a rap that I only come to California to recruit businesses to come back to Texas but the fact is - well I have done that, but I root for this State, I root for California so succeed just like I was rooting for America's pony, California Chrome, to win the Triple Crown. I was rooting for that pony but I also know there's a difference in political culture here that I'm not necessarily used to and, therefore, there are very different fiscal and regulatory policies that we deal with and I don't come here to criticize the California model. What I want to do

this evening is just to speak to the experience of my home State and then I will let you come to your conclusion about which one of those economic models works best.

[Applause]

And, as Mr. Dalton shared with you, one of the most important policy discussions that we face, one of the most important issues that we face in this State and at the national level is energy policy and I think if you ask any republican, as a matter of fact, I think you ask any democrat they would agree that it is a good idea for America to be less dependent on foreign oil.

[Applause]

It is not in our national or our economic interest to place our fate in the hands of unstable governments in the Middle East or in Valenzuela for that matter who could blockade energy resources and cripple the world's economy at any given time. Personally, I'm not opposed to all foreign oil. I'm only opposed to that that comes from these unstable countries. I whole-heartedly support the import of oil from Canada for instance, and the fact is I wish the President of the United States would stop blocking the Keystone Pipeline so that we can create the 40,000 jobs that that would entail.

[Applause]

See, the President says that he is for the development of our energy resources on this continent; he just opposes drilling it, permitting it and transporting it. In Texas, we were known for the development of carbon-based fuels and that makes some sense. We're the State that's known for Spindletop, the beginning of the 20th century as it was developed, but our approach is not slanted only to the development of traditional fuel sources. We have an all-of-the-above approach to energy development. For instance, when we de-regulated the electricity market we started a boom in Texas in the renewable energy sector. Today, the nation's leading developer of wind energy is not one of those progressive States on the East Coast or the West Coast, the number one wind energy producing State in the nation is along the Gulf Coast. It's in Texas. Texas has more than 12,000 megawatts of installed wind energy capacity, more than all but five countries. We built a new network of transmission lines to bring that energy from the areas of the State where it is best produced, which is up in the panhandle of Texas to the population centers over in the eastern side of our State. And our State is friendly to the development of all forms of energy from wind and solar, to clean coal, to natural gas and to nuclear for that matter.

And at the turn of this century, in the year 2000, our State produced about 20% of the nation's oil. Today that figure is 36%. We produce 23% of the natural gas then. Today it's 29%. We also lead the nation in the production of electricity and I might add we have our own electric grid that serves over 85% of State which allows us to keep out of the Federal FERC jurisdiction. These statistics are probably not shocking to anybody in here because Texas has a reputation as a leader in the energy industry, but what is especially to me and to our companies is that they're transforming energy exploration with new technology. When Greg and I have the opportunity to sit here and take questions and discuss this in a little more free-flowing manner I think you'll be able to see just the fascinating things that are going on in the energy sector, and the revolution that's going on with technology and innovation and in no place is it more apparent than the Shell revolution that has absolutely changed the energy industry. Shell drilling techniques have doubled oil production in the last three years. Natural gas production is up 52% in the last 14 years. There are towns in South Texas that have had incredible renaissance, well there was nothing to revive in some of these South Texas towns.

[Laughter]

They're doing swimmingly well as I referred to it because they're swimming in revenues that are coming in. They're families are reinvesting royalties. There are State budget - our State budget is in a fairly substantial surplus position and this Shell production is a great example of that the private sector faces as well as a challenge and also as - it's really fascinating to see the changes that have been going on in our State and I'm here to say that one day that same thing can happen in this State with the Monterey Shale but it's up to you. When a recent study determined the oil reserves in the Monterey Shale would be harder to reach because of some geology and then an estimation by one of the federal agencies, some of the activist pounced on that as a validation that carbon-based fuel exploration just was not the way to go and as I tell people, I said "Listen I've seen this movie before. That's the same thing that they said decades ago about the Barnett Shale up in the Dallas, Fort Worth area." Safe drilling techniques are and have been developed. Natural gas in those fields are now being accessed. And the same thing can and, I think, will happen in that harder to reach oil reserves in the Monterey Shale. Given the time, given the technology, given money the private sector always rises to the challenge.

I also don't believe you have to choose between economic prosperity and protection of our environment. Those are not mutually exclusive. Since the start of century - since the start of the 21st century in Texas, nitrogen oxide emissions have been cut by 62% in Texas. Ozone emissions are down by 23% which is substantially better than the national average, and we've done that despite the fastest growing economy and the fastest growing population in the country. In fact, in the last 14 years 37% of all the private sector new jobs created in America were created in Texas. I want you to think about that for just a second. One out of twelve individual in this country lives in Texas. Over that 14-year period of time three out of every eight jobs were created in that State. We were also the first State to pass a law requiring the disclosure of all the chemicals used in hydraulic pressure, but the fact is we're not going to shut down this safe procedure over some unsupported claims of environmental risk. There is no study that has show that fracking contaminates the water supply. I happen to think that these decisions need to be left to best science practices and which none of makes the case against fracking. We happen to care about our environment a great deal in the State of Texas.

95% of that States is privately held. Those individuals have every incentive to take care of the air that we breathe and the water that drink and the land that we farm or we work. And I happen to know that people in this State care about their natural resources as well and you should. You have some of the most beautiful natural resources in the world. You have amazing beauty along the coastal region. You have extraordinary forest lands. You have wonderful parks and I might add you have the finest wine in the world.

[Applause]

So it's to you to determine the course of this of this state. To decide whether you live in a regulatory state or one that emphasizes freedom and growth, whether you tap into your energy potential and develop only certain forms of clean energy. Those decisions should be yours. But I do know this, the fastest way to rev up the economy is for America to produce all forms of energy. Hundreds of thousands jobs can be created if we unleash energy exploration across this country. Energy innovation, it's the quickest way to make our anemic economy very powerful. To me the central issue in this country today is how are we going to get Americans back to work? How do we create the environment so that men and women can take care of their families? The unemployment rate that's been provided by the Department of Labor, it doesn't include the number of discouraged workers

who stopped looking for work. You know, when you include those individuals, those - I refer to them as the uncounted, uncounted Americans. The grim picture of our economy becomes a bit clearer. Too many Americans are not just unemployed but they're underemployed, working part-time jobs when they need full-time employment, and over the last 5 years all of the economic metrics are headed in the wrong direction. More Americans are out of work, more Americans in poverty, more Americans on food stamps.

Family incomes are actually down. Our credit's been downgraded because our national debt has skyrocketed. Small businesses are overregulated. Corporations are overtaxed and too many of them have moved overseas. Banks are spending more time on compliance with these Dodd-Frank Regulations than they are spending time lending money. Pension plans are overleveraged. Cities from Stockton to Detroit are going bankrupt. And because of all of these the American dream is in jeopardy. Families can't get ahead. Parents spend more time working and less time with their children and our children are under assault. Our culture too often preaches, you know, it's all about me and America can't continue on this course because the bills always come due and now that bill is now \$50,000 for every child born into the United States. That's their part of the federal debt. They're the ones who are gonna inherit our legacy. They're going to inherit this country. Whether they inherit a legacy of debt or whether they inherit a legacy of hope and promise, their future is more important than any political party or for that matter anyone's personal agenda. They are the hope for the future of this country and I hope and I pray that our goal would be to give them a country that is worthy of their potential. God bless you and thank you.

[Applause]

Greg Dalton: Our thanks to Governor Rick Perry of Texas for his comments here today at the Commonwealth Club. I'm Greg Dalton and we have a lot of questions about energy and a lot of other issues, but first there's a power question on people's minds, people would like to hear your reaction to Eric Cantor's loss in the recent primary and -

[Applause]

Governor? What that means as well as perhaps for a successor to Speaker Boehner.

Rick Perry: Well, having been involved in elected office for 30 years now, it's pretty simple: spend plenty of time in your home district.

[Laughter]

Seriously, I've seen this numbers of times when indivi - well it is a reflection on reality and men and women who had been caught up in the, whether it was being the senate finance chairman back in my home state of Texas or all across the country, I'm sure we can point out individuals who, you know, felt it was more important to go meet with these individuals than it was to go home and talk to the constituents, the people who had elected who you actually work directly for and so I think that probably has - I mean, I'm sure there's every scenario on the world that people are saying "Here's the reason that Eric Cantor got beat," but I will suggest to you when you really get down to the truth of it and you really peel back the skin of the onion he probably he didn't spend enough time with his constituents, with the people he represents and he paid a political price for it.

Greg Dalton: He spent a lot of money, \$5,000,000, compared to his - the person who beat him spent a tiny fraction of money.

Rick Perry: Yeah, I'm just saying.

[Laughter]

Greg Dalton: Time doesn't beat money, yeah.

Rick Perry: You know, you go look at the races out there that, you know - I know that I've got friends that said oh, it was this reason or it was that reason, I will suggest to you when - what was there 70,000 votes there about total?

Greg Dalton: Something like that.

Rick Perry: It's a relatively small number of people when you really get down to it in a congressional race and he probably wishes he had spent a few more - it's kinda like old deal when you die and they ask you were you, what do you wish. You don't wish you'd been at the bank more, you don't wish you had been at the office more, you wish you had been with the people you love more. So I'm thinking he may have that same kind of regret, "Wish I had been with the people I love more."

Greg Dalton: Any thoughts on what that means for a possible successor to Speaker Boehner?

Rick Perry: Well, I've got to presume that at about 5 o'clock yesterday there were people sitting around just kind of expecting this election to go as they thought it would and then about 7:30 there were a lot of people going "Damn, I can be the next majority leader."

[Laughter]

"Hey Billy, how are you? Yeah, yeah. Good to hear from you too."

[Laughter]

What about -

Greg Dalton: Game on.

Rick Perry: Yeah, game on man. It's gonna be some awesome politics being played over the course of the next few weeks as they decide and I think it's just a couple of weeks until they have that election to do that, so it'll be fun.

Greg Dalton: Speaking of elections, there's a question from the audience on would you run with Ted Cruz, Marc Rubio, Chris Christie. Any thoughts on that?

Rick Perry: I don't think any of those guys can keep up with me.

[Laughter, applause]

Oh! I thought you were talking about a road race. Listen, these are all very capable individuals and folks that have important jobs. Here's what I hope our friends in Washington D.C., and I didn't talk about this so this is a good opportunity for me to segue into this, I am a huge believer that our country will be stronger economically. I think country will be happier, I think our country will function better. If we get back to the principles that our Founding Fathers put in place particularly

dealing with the Tenth Amendment that the Federal Government should do a few things and do those few things very, very well. For instance like securing our border with Mexico. That is a constitutional requirement that our government should engaged with and all too often, and listen this a bipartisan offense from my perspective, is people go to Washington D.C. and they become enamored with the power and they consolidate that power into Washington when in fact our Founding Fathers understood a very wise principle that those laboratories of innovation, those States where were the vast majority of the decisions were supposed to be decided. The Tenth Amendment says that the power is not delegated to the United States by constitution reserved for the States or the individual and you think about that in the sense of Texas competing against California or Oklahoma competing against Arkansas and these States making decisions about tax policy, regulatory policy, legal policies, public school policy so that you have accountable public schools and a skilled work force available. That's what we need to get all of our congressional delegation, our senators really focused on. When you go to Washington D.C. don't go to consolidate more power in Washington. Devolve that power back and I'd love to see all of these individuals that you've mentioned and congressmen and women from across the country saying "You know what, we have consolidated too much power." The gentleman who won the race in Virginia, what's his name?

Greg Dalton: Brat, Mr. Brat, college professor.

Rick Perry: Brat. Mr. Brat. He said something today that reminded me of a comment that I had made back in 2011. I ran for President, I don't know if some of you - [Laughter] may recall that. I actually led the Republican nomination for a while. It was three of the most exciting hours of my life.

[Laughter]

Anyway he said - in essence he said "I want to go to Washington D.C. and make it as inconsequential in your life as I can." That's what I said in 2011 and still very important for us and I think that may be another storyline that came out of that election. Of people in this country are not really happy with government. They're not happy with government in Washington D.C., they're not happy with government in Sacramento and I'll suggest to you, they may not even be happy with government in Austin. And there's a message there that we need to really take a look at and our congressmen and women, our United States senators can start making America more competitive by devolving a lot of that decision making, economic policies, education policies, healthcare policies, social policies. Devolve those back to the States and let the States make those decisions because we're a very diverse country and I get it. Not everybody wants to be a Texan.

[Applause]

Not everybody believes like I do. And we need to have to courage and stand up say that Jerry Brown and the legislature in California knows better how to deliver education policy to this State than some bureaucrat from Washington D.C. and that's true across the board. Allow those decisions to be made in these States then we'll compete against each other and people who want to live in a particular environment, they'll go there and they'll be comfortable there, whether it's an economic draw for them or whether it's some other area. So my - you know, my challenge for my friends in congress and the senate is allow these States to compete and you'll be doing your job and you'll be following the Constitution.

Greg Dalton: You talked a little bit about energy. Is there a role for government in energy or is that something that should be left entirely to the private sector?

Rick Perry: No I mean, listen I'm not - sometimes people get me confused with being an anti-

government person. I'm not an anti-government person, I'm just a small government person. I think government has a role and it's fairly well delineated in our Constitution where that should be. I'm not sure why we need a Department of Energy that is as broad and as big and as cumbersome as the one that we have. I'm not sure why we need a Department of Education. There's a third one that [Laughter] will come to me but I'll get to it in a minute.

Greg Dalton: You served in the Air Force and probably know a big part of the Department of Energy is National Security and Nuclear, nuclear arsenal -

Rick Perry: And they have some - listen remember we talked about - I showed you this book. This is George Shultz's edited book called *Game Changers: Energy On The Move* and it is a fascinating reading if you're interested in innovation and DARPA, another great agency of government, Defense Accelerated Research Projects Agency, the Department of Energy -

Greg Dalton: Helped create the internet.

Rick Perry: Yes. I mean, all of the - I thought Al Gore did that? Okay I'm just kidding. The point is we have agencies of government at the Federal level, at the State level, at the local level and that play a role, I just think we've allowed our government to get so big, so cumbersome, so layered that it's lost in too many areas its focus and its ability to be efficient; and allowing leadership to come in, when I talk about leadership I'm talking about the President of the United States, I'm talking about the cabinet members, I'm talking about congress and really make decisions about paring down the size of government. There are, obviously, great and good innovation that come out of the Department of Energy but I will suggest to you that we cannot afford the size and the scope of the government that we're paying for today.

Greg Dalton: You mentioned George Shultz, he's one of the elder statesmen of the Republican Party, he's a big advocate for clean energy, getting off foreign oil and takes climate change very seriously, one question from the audience is how can the Republican Party ever hope to appeal to intelligent people when accepted science such as evolution and climate change are rejected by the leaders of the Party?

[Applause]

Rick Perry: I think, you know - here's what I think is a more important issue when it comes to climate change and it's one that I hope that we'll really focus on rather than try to make this thing be black and white, you're either - you'd believe either this all the way or you're a Neanderthal or, you know, you either believe over here or you live in la la land. I don't think that's particularly productive for this country. There are really two questions out there. One is, you know, is the climate changing? If the climate's changing, why is it changing? And if man's engagement is the reason it's occurring, then we need to have the solutions to that. If it's not, then everything's gonna be fine, but if it is we need to be able to have the answers to that and my great concern is that policies that are put in place in Washington D.C. that can strangle the economy of this country jeopardize our ability to innovate. America has always been about creating innovations to address challenges that we have and then we sell those innovations around the world. If we were to put in place some policies that strangle the economy of the United States to address the climate change issue yet we do nothing to give solutions to this to countries like India or countries like China then we haven't done what we've historically been involved with.

And I think that's the bigger question, not fighting amongst ourselves or trying to push people off into corners but to recognize that America and America's innovation, both the private sector

working with the public sector, and coming up with the answers to these great challenges that we have relative to the environment. That's our role and we cannot do it if we strangle our economy, if we put our economy at jeopardy. So, for me that's substantially a bigger place for us to spend our time and effort rather than trying to divide this country into, you know, you're wrong and you're right or vice versa.

Greg Dalton: Doing nothing on climate also can hurt business. Insurance companies are very concerned about droughts, crop losses, severe weather storms, more billion dollar losses. In fact, there's something called the climate declaration, this is General Motors, Microsoft, Intel, Unilever, Starbucks, Disney have called for a coordinated effort to combat climate change, in part because of the opportunity, in part because it's hurting business today.

Rick Perry: Then I go back to - I mean, so what's their solution? I mean -

Greg Dalton: They didn't - those companies [crosstalk].

Rick Perry: Okay so - please don't stand on the sideline and tell me you need to do this and don't have a solution. We have historically addressed the big issues that faced this country in - I mean, excuse me have faced this world. America has been where these answers come from and we are driven by a free market capitalistic system that has a profit motive from time to time in it. And I will suggest to you that is what we must maintain, we must preserve, we must protect that, if we're going to find the solutions to these issues. And we have always been about coming up with innovation, selling that innovation to other places in the world or trading that innovation or showing the wisdom of using that innovation somewhere else in the world, and that's what we need to be focused on. So I am quite bullish on the future of the globe. I'm quite bullish about the solutions to our environmental concerns are somewhere in a brilliant, thoughtful mind in America and we need to promote that every day.

Greg Dalton: And one of those binds you cited George Shultz, his answer is a carbon tax. Pricing, carbon pollution, Shell Oil, already has a shadow carbon price when they allocate capital Shell Oil says, "We're going to think its \$35 or \$45 a ton and carbon oil companies are already doing this. Some economists support that, most elected politicians do not but do you see any hope or future for our price on carbon whether it's a tax or any other way to help drive innovation?"

[Applause]

Rick Perry: I think we have enough resources in this country if they're allocated properly to fund the innovation that's in place. I don't - I'm not a big believer that you have to go raise a new tax to go pay for. We haven't done that in our home state. Matter of fact, we have grown quite a substantial economy over the course of the last 14 years without raising new taxes. We've done it by growth, we kept a downward pressure upon spending. So I - my answer is no.

[Applause]

Greg Dalton: What areas of energy innovation are most exciting and most promising to you?

Rick Perry: Well, that's a - that is a - electrical storage, I think is one of the - because you're going to need a lot of electricity to power those Tesla cars that are going to be built in Texas.

Greg Dalton: Have you ridden one?

Rick Perry: Did you not read the paper today?

Greg Dalton: It's pretty exciting. I was-

Rick Perry: I drove one up today. Yes, oh, actually yesterday at the Hyatt, it was pretty awesome. It's pretty cool technology.

Greg Dalton: So battery storage, electric storage-

Rick Perry: Battery storage, PVs, all of the photovoltaic that we have is they're substantially fascinating work on the - on the biomass side these very small nuclear facilities that are - they're in theory now but-

Greg Dalton: Small modular reactors.

Rick Perry: Small modular reactors I mean, there is so much going on and we were whipping through this book and it's fascinating. Georgia Tech's got - University of Michigan, MITs, Stanford's long life crystal and copper, I can't even say that next word, battery work that they're doing I mean it's all across this country. But I think on the solar side, there's some really fascinating things, we're starting to see in 3D printing. We're starting to see the ability to make some PVs that are flexible and go across the top of different structures, I mean. Outside of some of the progress it's being made in - on the medical side of the world and brain science and I think some of the most exciting places in the country deals with all the different energy projects and innovation that's out there.

Greg Dalton: Another question from the audience for Texas Governor Rick Perry. Do you support President Obama's all of the above energy strategy or - this is a slight non-sequitur - are you in favor of the elimination of energy subsidies?

Rick Perry: Well, I don't know what the President's all of the above energy strategy is because if he has an all of the above energy strategy then the XL pipeline would be opened up, we would be substantially more engaged in the exploration of hydrocarbons on federal lands. So I don't think the president has a - in reality, he does not have - I'm not sure he has an energy strategy frankly at all.

[Applause]

And then you asked the question about the subsidies I mean, you know, which subsidies are we talking about, are we going to give - I am a fan of subsidies. I think there is a role for subsidies to be played. And one of the reasons that we have been successful in Texas over the last 14 years of luring businesses to the state is because we've been in competition with other states and there have been subsidies that we put on the table. We said if you will come, you will create these many jobs, they meet this minimum salary structure then we will subsidize your company this much. And, you know, I got friends who think that's not appropriate, I do. That is the way the business world works. And I think that more government functions along the lines of how the business world works, it's probably going to be more efficient. So we put subsidies into place to bring the wind energy into the state of Texas. We help subsidize the cost of - they're bringing that power from far west Texas where the wind is generated to the population center. Now, once those mature they can go away and they can be tuned down if you will, they can be removed. But from the standpoint of, you know, a subsidization for oil and gas drill and I think there is a role for that to play. I mean if we are to become energy independent and I think that's a good thing. I think it's good for North America to be energy independent. And if we or Canada or Mexico decide to use some subsidies to manipulate the process to get people to develop more of energy in this North American region then that's

appropriate.

Greg Dalton: Can you envision Texas being an energy exporter to other states, right now it's in an island, but if you develop more electrical resources-

Rick Perry: Actually we have a couple of connections already in Mexico that are off of our grid. And - well, I think you really see Texas become a major exporter is in LNG, liquefied natural gas. From a standpoint of - and I look at this as not only an economic driver but also a very important diplomatic tool. If there's one way to get Mr. Putin's attention, it is to lay liquefied natural gas into either Croatia or the Baltic into some ports there. And I think it is in Europe and the world's best interest that the United States to both develop as quickly as we can the export terminals and deliver that gas into the European Union as quickly as we can.

[Applause]

Greg Dalton: Now some US companies don't want the United States to export LNG because they're worried about the price going up.

Rick Perry: Right. Right, I think you can find the appropriate balance and I think as a serious supporter of this country's security that most of those CEOs would be supportive of our selling some amount of LNG to - on the open market.

Greg Dalton: You mentioned Texas as fracking regulations, fracking is what its making possible the big supply of liquefied natural gas were exported, et cetera. How do you think, there's a lot of concern about water and fracking, Texas is in a big drought but there's still fracking going on, fracking is water intensive. How do you balance that need for water and the need for energy? The danger of potentially poisoning wells there is some contamination that has happened.

Rick Perry: That's not correct. No sir, there is not one legitimate study that has shown contamination of groundwater by fracking in Texas.

Greg Dalton: Okay. Maybe not in - I don't know about Texas in some places people [crosstalk]

Rick Perry: No. I'm telling you we do a pretty good bit of fracking in Texas. So my point is, I don't want to call you completely out of here on the stage, but I'm going to call you out. So let's and you know, we really need to be truthful about this, this is not the fact. Now, the question you asked and let me get to that is about water. We're in the desert Southwest, we've gone from drought to drought. I grew up on a dry land cotton farm so I understand about water and the lack of water and the importance of water. Now being the governor of the second largest state in the nation, the most dynamic economy in this country. We have major challenges with power, with transportation infrastructure and with water. All of those are major challenges for the state of Texas.

And over the course of the last few years, we have addressed those, we just passed a \$2 billion project to add to a \$6 billion that we already had available to address our water plan in Texas to do additional reservoirs, these are basically off river type reservoirs when we do have a rainy season again and it will rain again, then you can divert these into these reservoirs. Also desalination and then major transportation. Texas actually has enough water it's just in the wrong places, so being able to move it and transfer it to the right places. And then as we grow and create more water with these diversion reservoirs, et cetera. So the hydraulic fracking is much of it is going on and as water intensive it is, it only accounts for 1% of the water usage in the state of Texas so and page 10 in the book, the University of Texas, who by the way are in the College World Series, they have a novel

membrane that reduces fracking water consumption by 50%. That's the innovation that I'm talking about. That's the reason that we need to continue to go back to and focus on how do we give incentives to all of the different whether it's our universities whether it's the private sector, whether it's a private-public partnerships working together to promote that innovation, to come up with the challenges that we have as people whether it's finding ways to use less water, to protect that water. And one of the things, and I said this in my speech, Greg, about the - we were the first state in the nation-

Greg Dalton: Right.

Rick Perry: To put - that you have to-

Greg Dalton: Disclose fracking.

Rick Perry: Disclose your fracking compounds. So that if it ever got in there, we know where it come from. And it's never it's never in Texas, that's never been the case.

[00:48:13] **Greg Dalton:** For people interested outside Texas, ProPublica did a report on what they claimed was a thousand instances of groundwater contamination. Not sure if Texas was the case but in other states, ProPublica's Abrahm Lustgarten has done some reporting on that. We have a lot of questions that are not on energy, and our time remaining, we'd like to ask Texas governor Rick Perry, do you foresee the midterm elections having an impact on Obamacare?

Rick Perry: No.

[Laughter]

Greg Dalton: Those days of repeal moved on, 7 million people enrolled-

Rick Perry: Well, I just - you know, you said this election. I don't think this election is the election that could have an impact on. I think as we go forward, what are some of the things that need to be addressed, you know, I think there's some things that can occur. And will occur but they're probably not going to happen in the next two years. Even if the Republicans take over the senate because the president is going to block these things. So, you know, post-2016 there may be a substantial and successful effort to repeal all or part of Obamacare but, you know, that's so far down the road.

Greg Dalton: Follow up question about you rejected the Medicaid expansion in Texas, leaving the 1.5 million Texans without medical insurance, your thoughts on doing that?

Rick Perry: Two things. One is even the President of the United States said that Medicaid is broken in 2009 he made that statement. It is now taken up - the program as prescribed takes up the well over 25% of the total Texas state budget. And so the question for me and the members of the legislature, why would we expand a program that is broken? Why would we expand a program that is already proven to not be an efficient way to deliver healthcare. We have put in waiver request after waiver request. Again, I go back to that premise that I made earlier that governors and legislators best know how to deliver healthcare, education policies, transportation policies rather than one size fits all out of Washington D.C. I can assure you that if they would block grants, matter of fact, I offered at one time I think back in 2011 that we would be willing to take 80% of what they had sent to the state of Texas is about \$20 billion a year. We would take 80% of that if they would remove all of the strings that were attached and the requirements. And allow us to come up with the programs, give a multitude of choices for people, copays, all types of ideas. And we will deliver more healthcare to more people in a more efficient way, of course, we were told, no. I think one of the real

solutions to healthcare delivery is not forcing people to buy insurance but it's about access to healthcare. In 2003, we passed the most sweeping toward reform in the nation. It has paid extraordinary dividends in our home state. There are 34,000 more license physicians in Texas than it was in 2003, 19 counties along the Rio Grande.

If you are a pregnant female you have to leave that county to get prenatal care. Not so today, there are neurosurgeons in the number of those counties today. There are places in the state of Texas that had healthcare rationed and they're receiving it today because the state made the decisions about how to deal in this case with the frivolous lawsuits that were being filed and running a lot of doctors out of the practice in medicine. So the states need to be given the freedom. I'm going to wrap up with this. Last March, we're sitting in the White House with about 40 governors it's about an equal split Democrats and Republicans. And the President was asked directly about waivers to the states to allow the states to have more freedom to deliver healthcare for their citizens. And the President basically said, I do not trust you to deliver healthcare to your citizens. Now, that made Democrat governors mad I got to think. And the fact is we've got to get away from this, one size fits all that Washington is the central fountain of wisdom and trusts these state governors to deliver healthcare or education policies. And so I get back to the people of the state of Texas would have clearly send a message that they want more Medicaid if that would have been the case, they didn't. It's not about how many people do you have or you are forcing to buy insurance. The question is about do the people of your state have access and I'll suggest to you in Texas, they have access to some of the finest healthcare in the world.

Greg Dalton: If you're just joining us today, our guest at the Commonwealth Club in California is Texas Governor Rick Perry. I'm Greg Dalton. Another question about access is about access to abortion a woman's right to choose, is that a place where it ought to be a woman's right and not to have the government interfere?

Rick Perry: Yeah. Listen, the constitution of the United States gives a clear right to that. Whether you agree with or not that's what the constitution says so we, you know, held our hands up and we support the constitution of the United States. The question is, does the state have the right to limit the amount of time or after a particular period of time which they can restrict it and the answer to that is yes. And in Texas, they decided that after five months, they were going to limit abortions. And so that is overwhelmingly supported by the Texas legislature. And again, if your state, you wanted to go to 28 weeks or to whatever the Federal limit is that should be your state's call. But in the state of Texas, by their duly elected legislators, they said that after five months, we're going to protect the life of that child and I've agreed with it, I signed that piece of legislation.

Greg Dalton: Do you believe homosexuals can be cured by prayer or counseling?

Rick Perry: I don't know. You know, I don't, I'm not a psychiatrist I'm not a doctor, so.

Greg Dalton: Is it a disorder? (0:56:00)

Rick Perry: I wrote a book called *On My Honor*. And I talked about that people make choices in life and whether or not you feel compelled to follow a particular lifestyle or not. You have the ability to decide not to do that. And I made the point of talking about alcoholism, I may have the genetic coding that I'm inclined to be an alcoholic but I have the desire not to do that. And I look at the homosexuality issue as the same way.

Greg Dalton: Another area about for personal liberty, government intervention, do you foresee marijuana being legalized in Texas within the near future?

Rick Perry: No.

Greg Dalton: Shouldn't people be free to get high and the government not tell them?

Rick Perry: You asked me if I thought it was going to be illegal-

Greg Dalton: Okay.

Rick Perry: And I've answered you straight up. I think that should be decided by the states actually. So if you want to smoke weed and get high, go to Colorado.

[Laughter]

Greg Dalton: In case you're wondering we're talking with Texas Governor Rick Perry, we'll get the Colorado governor here another time. There's a number of questions here about California and Texas. What other businesses are you interested in luring to Texas, recently you talked about Tesla, Occidental Petroleum, Toyota, is Chevron next, do you have a list, Google, I don't know.

Rick Perry: There's a nice hot sauce company down in Temecula that we're talking to. Listen, this is the most-

Greg Dalton: You're not saying—

Rick Perry: This is the most interesting thing. And I believe this with all my heart that competition is a good thing. And that I can promise you Bobby Jindal is sitting over in Louisiana, talking to his members of the legislature about how to put tax policies in the place and regulations in the place that would be advantageous for Texas companies to move across the Sabine River and site in Louisiana. Promise you Rick Scott, in Florida, not only is he trying to figure out how to get the Heat to beat the Spurs he is also trying to figure out how to put policies in place in his state. He's doing a really good job of it, this guy makes me nervous. And - but that competition is I will suggest to you what drives these states to be more competitive. So how many of you have seen the new New York ad? You know, you've been on TV and you've seen the new New York ad, it's actually a very good ad. And I - my hats off to Governor Cuomo, for putting that incentive program into place. And I don't think it's going to be particularly effective but my hats off to him. And he wouldn't have done it if Rick Scott and Nikki Haley and et al had not gone to New York and recruited businesses up there. You change your practices when you're pushed, when you're challenged and that's why I think all of this is really important. And as I said across the board, listen, this is not - these decisions were different. I mean we talked about the homosexual issue earlier and the fact is let the states decide those. Let the states make the decision about the issues of the social issues and people will decide where they want to live. And I think America will be substantially more competitive on an economic way and I think they'll be happier from the standpoint of not just, you know, trying to make everybody, you know, sometimes that round peg doesn't fit in the square hole.

Greg Dalton: A question from the audience says, "Are you afraid of a race to the bottom in giving businesses tax breaks and tax holidays that there's a thought that while the states competing against each other, and somehow it hurts the country as a whole?"

Rick Perry: Yeah. No. I'm not worried about it at least. One of the arguments that I heard and I always kind of chuckle about it is like when we recruit a business to Texas or one that's going to expand. And they don't expand in a particular state and they come to Texas and they expand or they

come to Nevada and expand or wherever. And the argument is, well, all you're doing is moving job from here to there. Well that's not true. Because what's happening is these jobs would not have been created if they had to stay there because of the over taxation, over regulation, over litigation, whatever it is that was restricting their growth. Because if they were going to expand and create those jobs, they would have done it right there. My bet is people really don't want to leave, I mean. So February of 2013, I'm in Laguna Beach. I got 30 businesses that we've asked to come and they're curious, they want to come here, what we're going to talk to them about and I'm making this pitch about them coming to Texas. This is the one, if you remember, this was the \$17,000 radio ad that we ran that Governor Brown said wasn't much more than - okay. Thirty people are standing up there, I'm making the pitch about why they need to come to Texas and the sun is just going down behind me. It's just touched the Pacific in Laguna Beach. And I said that is Exhibit A for how government could screw something up so bad that you would leave that. And there was nervous laughter just like you had in that room because you have an incredibly beautiful state. But it's not so beautiful that in some point in time, you don't over regulate them, you don't over tax them, you don't over litigate them that they don't finally pick up and say, you know, I can't take this anymore. And that's really what this discussion is all about with me. Yeah, I'm a competitor and I will, going to talk to the people about coming to Texas and living free. But this is about America, because if this country is not more competitive, we're going to lose our edge. We're going to lose our ability to be innovators. And the solutions to the challenges that face this country are going to be lost. And that's what this is really about and I don't make any apologies for where I go, what I do. Like I said earlier, I know everybody now doesn't want to be a Texan, not everybody, that's okay. But I do want to push that conversation where we talk about this red state versus blue state policies. Because I said in my remarks, I'm not here to diss California. I'm here to lay out what we had done in the state of Texas economically and let you decide which one of those economic policies best suits you.

Greg Dalton: We have a just couple of moments left and there's a number of questions about immigration and I wonder if we might do a quick lightning round if you're game before we end.

Rick Perry: I can do yes or no.

Greg Dalton: The number of questions, are you willing to put the Texas national guard on the Southern border of Texas to stop illegal immigrants something about whether children of illegal immigrants should be admitted to public institutions of higher learning on the same basis as natural born citizen? So a little more on immigration and then we'll wrap up.

Rick Perry: We're addressing this issue - this is a very serious situation that we have on the - with the border between Mexico and Texas, we got 1200 mile border. In 2012, we saw this issue with these children, these unaccompanied alien children as they were referred to coming in on top of railcars from Central America. We've known this is been going on for 12 - or excuse me, since 2012. I wrote the press, I wrote the head of homeland security, we clearly brought this to their attention and I'm still waiting for a response. I have not gotten so much as a response from the President of the United States or this administration about this issue. We have expended over approximately \$500 million since 2009 on border security in Texas with Texas taxpayer dollars. Putting Texas rangers on the border, and augmenting local police departments doing substantial search operations, we actually know how to secure the border. And I shared that with the Federal government on multiple occasions. We've taken both the news media there and congressmen there. And there seems to be a clear decision by the current administration that they are not going to secure the border.

That is a major problem, let me tell you why. We are apprehending as of today, 1000 individuals a day. That's the flood that's occurred. Those individuals are being put into facilities. If there is a

major natural disaster, think of Hurricane Katrina or Hurricane Ike, where we have literally hundreds of thousands of people who are dislocated and we're going into a hurricane season as we speak. If that occurs, we have no place to house our citizens. That's the dilemma that we're facing because the Federal government fails in its job to secure this border. We must as a country put the resources on that border to defend it. We are seeing historic highs of apprehension of people who they refer to as other than Mexicans. These are from countries other than Mexico and there is historic highs from countries who have substantial ties to Al Qaeda. That's - that is very unnerving to me. As the governor of the state, as the individual who's been task for keeping my citizen state safe. And the Federal government is failing in its constitutional responsibility to secure the border. That was not a lightning round but that needed to be said.

Greg Dalton: And before we wrap up I'd like to—

[Applause]

Before we wrap up, I'd like to thank Governor Perry for coming to San Francisco and having this conversation. Not a lot of national Republican leaders venture into San Francisco with our San Francisco values and all that so—

Rick Perry: It's a great city.

Greg Dalton: Just coming here and being with us today I think is something to be applauded.

[Applause]

Rick Perry: Thank you.

Greg Dalton: We wish that more will do that. Real quick, I'm just going to mention a couple of names, you give me your first impression, reaction, Jeb Bush?

Rick Perry: Very capable good governor, good guy.

Greg Dalton: Hillary Clinton?

Rick Perry: Very, very capable public servant. Great secretary of state, first lady and she's very capable.

Greg Dalton: San Francisco 49ers?

[Laughter]

Rick Perry: I'm actually into basketball.

[Laughter]

Greg Dalton: You think the Spurs are going to do it?

Rick Perry: In five.

Greg Dalton: I'd like to our thanks to Governor Rick Perry for our conversation about America becoming energy independent. Many other socialist used today, this program has been part of the

Commonwealth Club Series on ethics and accountability underwritten by the Charles Travers Family. I'd like to thank everyone here in the audience as well as on the radio and the internet. I'm Greg Dalton, and now this meeting at the Commonwealth Club of California, the place where you're in the know is adjourned.

[Applause]

[END]