Crucial decisions on the fate of the Cape Wind and Deepwater Wind projects are currently being weighed by the public utility agencies of Massachusetts and Rhode Island, respectively.

In Rhode Island, the Public Utilities Commission is again hearing on the subject of the negotiated power purchase agreement between Deepwater Wind and National Grid after the legislature mandated the reconsideration of the agreement. Gov. Donald Carcieri and his General Assembly supporters believed this was necessary to expand the decision from one about energy rates to a broader analysis of statewide economic benefit.

In recent days, the commission has heard contrary reports from the Rhode Island Economic Development Corporation and ratepayers regarding the economic impact of Deepwater Wind’s farm. As a lifelong Rhode Islander with a desire to see us take the responsible next steps for our environment and our economy, I am wondering if all this debate is missing a key point. Fossil-fuel energy production generates a variety of external costs that are not included in the market price for energy, and these costs seem to have been left out of the discussion when comparing the merits of these renewable energy projects.

The option to include open-book accounting of the costs of the Deepwater Wind project was a commendable addition to the recent legislation passed by the General Assembly. Justifying the costs charged in the power purchase agreement ensures Deepwater Wind is not charging an unfair price. However, by conventional accounting, a “fair price” might still be considered a bad deal for Rhode Island energy users. National Grid has estimated that the wind power generated by this project could cost as much as $390 million in above-market rates, as compared to traditional energy sources, during the next 20 years.

But what is really meant by “above-market” rates? The phased-in cap-and-trade approach by the Regional Greenhouse Gas Initiative (RGGI) has yet to establish a significant premium for carbon and pollution generation from fossil fuel power in New England. The price paid for imported fossil fuels does not explicitly include an offset for the billions spent in securing those resources via military influence. So when it is suggested that the cost will be above-market, the “market” talked about is one that largely disregards the costs of health care, global climate change, national security and environmental damage like that currently unfolding in the Gulf of Mexico. In a way, these distorted market prices are useful as a measure of just how willing we are to ignore the major energy crisis we are facing.
Several viable ideas have been proposed to jump-start the transition to a renewable energy economy, such as cap-and-trade or a carbon tax. We in Rhode Island have managed to partly get it right. Participating in the RGGI market shows that we are willing to start the process of pricing carbon emissions, a key step in making a fair accounting between renewable and conventional energy. The lack of success on a national level to incorporate these costs into domestic energy markets has hampered states’ efforts, and continues to impede the viability and approval of new renewable energy projects.

If we choose not to incorporate these currently hidden costs into the market, they will still be paid as higher taxes to fund health care, environmental restoration, military expenditures, etc. It would be a serious mistake to continue debating the merits of proposed energy projects like the Cape Wind and Deepwater Wind farms while ignoring these expenses. I think we in Rhode Island have the foresight and independent thinking to really get behind renewable energy, and wind energy especially. By participating in the RGGI, we have already shown that we are beginning to accept the real cost of our energy choices. The more we are willing to face up to the true costs and benefits of our energy choices, the more appealing renewable energy will look on a balance sheet.

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