



CFO BRIEF

THE **HIDDEN** BILL OF GREEN CONFLICT

Understanding how community conflict affects project economics and financial performance

This brief forms part of a series of actor-specific briefs by the Institute for Human Rights and Business (IHRB) report on the Hidden Bill of Green Conflict, which examines how community opposition to renewable energy projects can translate into material financial, operational, and societal costs.

Why should CFOs care about the costs of company-community conflict?

Community opposition in renewable energy projects is not only an environmental, social, or governance issue. It is a financial risk driver that directly affects project value.

Across renewable portfolios, community conflict appears in hard financial metrics: CAPEX overruns, lower NPV, drops in ROIC, longer payback periods, impairments, stranded assets, and higher financing costs.

Yet these costs often remain hidden in plain sight. They are spread across departments and accounting categories and are rarely linked back to their underlying social drivers, such as unresolved community tensions, weak stakeholder mapping, insufficient social assessment, or loss of trust.

As a result, the financial consequences of community conflict rarely appear as a single line item. Instead, they accumulate across multiple project stages as a bundle of operational, financial, and reputational impacts.

The taxonomy below illustrates how these costs typically appear from a financial perspective.

Cost Type	Lifecycle key impact	CFO exposure
Direct losses (sunk development costs, redesigns, material damages)	Construction and operations	CAPEX at risk, impairments, contingency drawdowns, remediation provisions, contingent liabilities, extended payback periods
Delays and cancellations (permitting pauses, stalled consultations, operational disruptions)	Early development and Construction	NPV erosion, delayed COD, lower IRR, pressure on CFADS, higher interest during construction (IDC), write-offs for cancelled projects

Financing and insurance impacts (tighter terms, higher premiums, restricted coverage)	All stages	Higher WACC, lower leverage ratios, higher premiums and deductibles, stricter covenants, new exclusions
Reputational impacts (lost bids, increased scrutiny, permitting conditions)	All stages	Lower bid success rates, more complex permitting, increased lender due diligence, higher engineering, procurement, construction (EPC) pricing
Opportunity costs (stranded pipeline value, delayed partnerships, lost revenues)	Permitting, Construction, Portfolio level	NPV at risk across project pipelines, lost PPA opportunities, delayed grid connection, reduced portfolio ROIC
Organisational costs (staff diversion, crisis management, turnover)	All stages	EBITDA erosion through overheads, productivity losses, higher legal and communications costs, increased governance time for executives and boards

Evidence of scale

Public data on the financial impacts of community conflict is extremely limited. However, one renewable energy developer interviewed for this research estimated the portfolio-level consequences of community conflict over a ten-year period as:

- **US\$200 million in direct financial losses** - the equivalent to 10–15 years of community investment programmes for a large renewable utility.
- **3.3 GW of undeveloped capacity** - roughly equivalent to the total renewable capacity added across the Middle East in 2024.¹
- **US\$4 billion in foregone investments** - representing a significant share of regional renewable investment flows across multiple markets.²

These impacts extend beyond company financials. Delays and cancellations caused by unresolved community tensions also affect: national renewable deployment targets; grid expansion timelines; investment confidence in emerging markets; the pace of the global energy transition.

The hidden bill of conflict

The financial value of identifying conflict-related costs lies in the counterfactual analysis it enables. Once companies begin tracking these costs systematically, CFOs can ask:

- How much value could have been protected through earlier engagement?
- What portion of delays and redesigns were linked to social drivers?
- What would the financial profile of this project look like without conflict?

Tracking the hidden bill of conflict allows companies to quantify the value protected by effective due diligence and community engagement.

¹ International Renewable Energy Agency (IRENA) (2025). Renewable Capacity Highlights (March 2025). https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2025/Mar/IRENA_DAT_RE_Capacity_Highlights_2025.pdf

² Rana, F., Wild, P., Guinto, H. S., Li, S., Barron, M., Sloley, A., Alanah, I., & Strinati, C. (2025). Global landscape of energy transition finance 2025. International Renewable Energy Agency (IRENA) & Climate Policy Initiative (CPI). <https://www.irena.org/Publications/2025/Nov/Global-landscape-of-energy-transition-finance-2025>

Community engagement as a financial premium

Effective community engagement should be treated as a project premium rather than a discretionary social investment. When implemented early and consistently, meaningful engagement and human rights due diligence can:

- reduce volatility in project timelines
- prevent costly redesigns or stoppages
- lower litigation and remediation risks
- strengthen lender and insurer confidence.

For CFOs, this translates directly into capital protection and improved underwriting conditions. Companies that demonstrate strong engagement readiness are often better positioned to:

- secure financing
- negotiate insurance coverage
- maintain investor confidence
- protect project valuations.

What CFOs can do

Make social risk financially visible:

- Track and aggregate conflict-related costs across departments, including delays, redesigns, litigation, and operational disruptions.
- Conduct counterfactual analyses to estimate the financial value protected by effective engagement.

Fund early-stage prevention:

- Allocate resources for social assessment and human rights due diligence before permitting and final investment decisions.
- Ensure stakeholder mapping, conflict analysis, and engagement strategies are integrated into investment gate processes.

Integrate social risk into financial governance:

- Introduce dashboards that visualise conflict exposure and financial impacts across the project portfolio.
- Ensure site-level tensions are escalated through formal reporting channels rather than remaining informal operational issues.

Align capital incentives:

- Demonstrate engagement readiness to lenders and insurers using measurable indicators.
- Link project incentives to effective social risk management and human rights due diligence.
- Integrate community benefit programmes with project milestones and performance metrics.

De-risk contractors and JVs:

- Embed social and human rights requirements in contractor and joint-venture agreements, including clear expectations for community engagement and grievance management.

Questions CFO's should ask:

- How are conflict-related costs currently recorded across departments, if at all?
- Which projects in the portfolio face the highest probability of community conflict?
- How many project delays or stoppage days in the past year were linked to community-related disputes?
- How much has been spent on litigation, redesigns, or remediation related to community conflict?
- How many projects have been cancelled or significantly delayed due to community opposition? Can we quantify the sunk costs and value lost?
- What proportion of project budgets is allocated to community engagement and social due diligence?
- How is our conflict track record influencing financing terms or insurance premiums?
- If a lender or insurer requested evidence tomorrow, could we demonstrate engagement readiness across our portfolio?
- What are the current metrics we use to measure our positive impact on communities? Is that complete?

*See also: **C-suite and Board Quarterly Review Dashboard**, a mock tool to help companies visualise how community-related risks and conflict-related costs can be tracked and discussed at executive and board level.*

To learn more about the Hidden Bill of Green Conflict visit
www.ihrb.org/resources/the-hidden-bill-of-green-conflict



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