# INSURERS BRIEF

# THE HIDDEN BILL OF GREEN CONFLICT

## Underwriting the green transition: Reducing volatility and strengthening company–community resilience

*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 insurers should care

Community opposition to renewable energy projects is an emerging loss driver that is still poorly understood across the insurance sector.

When tensions between renewable developers and local communities escalate, the consequences often appear through insurance-relevant exposures: material damage, business interruption, project delays, litigation, and operational disruption. Yet these risks are frequently treated as isolated incidents rather than as symptoms of deeper social tensions.

As this report shows, the financial consequences of community conflict are often hidden in plain sight, appearing across project budgets and operational costs in the form of redesigns, legal disputes, compensation payments, claims, delays, and reputational impacts.

For insurers, this means that social conflict is not only a reputational issue for project developers. It is a portfolio risk factor that can affect underwriting performance and claims exposure across renewable assets.

### How community conflict affects insurable risk

Community tensions can influence renewable projects throughout their lifecycle in ways that directly affect insurance exposure. These impacts can include:

- **Physical damage to infrastructure:** Sabotage, vandalism, or targeted attacks on renewable installations and equipment.
- **Business interruption and construction delays:** Operational shutdowns caused by protests, blockades, injunctions, or community-led disruptions.

- **Litigation and remediation costs:** Legal disputes related to land access, consultation processes, environmental impacts, or community rights.
- **Operational disruption and crisis management costs:** Extended staff time and operational resources devoted to conflict resolution.
- **Reputational contagion effects:** Conflicts in one project or region can trigger opposition to other renewable projects, affecting broader project portfolios.

At the portfolio level, repeated conflict exposure may also influence underwriting conditions, leading to:

- higher premiums or deductibles
- restricted coverage
- policy exclusions
- tighter underwriting scrutiny.

A detailed taxonomy of conflict-related costs is provided in the report.

## Conflict management matters more than conflict avoidance

The goal of managing community tensions is not to eliminate conflict entirely. Some level of disagreement is inevitable when large infrastructure projects intersect with land use, livelihoods, and local development priorities.

What matters most for risk exposure is how tensions are managed. Community conflict typically develops along a continuum:

- early tensions and grievances
- public campaigns or litigation
- operational disruption such as protests or blockades.

Projects that identify and address tensions early are significantly less likely to escalate into costly disruptions that trigger claims or insurance losses.

## Evidence of scale

Publicly available data on the financial impacts of community conflict is extremely limited because companies rarely track these costs systematically.

However, one renewable energy developer interviewed for this research estimated that community conflict generated the following portfolio-level impacts over a ten-year period:

- **US$200 million in direct financial losses** - equivalent to 10–15 years of community investment programmes for a large renewable utility.
- **3.3 GW of undeveloped renewable 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 renewable investment flows in several regional markets.

These impacts extend beyond individual projects. At scale, unresolved community tensions can influence renewable deployment timelines, investor confidence, and infrastructure development.

[1] International Renewable Energy Agency (IRENA) (2024). Tracking COP28 outcomes: Tripling renewable power capacity by 2030 (A World Energy Transitions Outlook brief). https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2024/Mar/IRENA_Tracking_COP28_outcomes_2024.pdf

For insurers, this highlights an emerging challenge: social conflict can translate into systemic risk exposure across renewable portfolios.

## What insurers can do

Insurers have a powerful role to play in strengthening risk management across renewable energy projects. By incorporating social risk considerations into underwriting processes, insurers can encourage stronger community engagement practices while reducing claims exposure.

- **Treat community relations as a risk control:** Recognise community engagement and conflict management as core risk controls, similar to health and safety or environmental compliance.
- **Integrate social risk into underwriting assessments:** Include social assessments, human rights due diligence, and engagement readiness in underwriting checklists for renewable projects.
- **Strengthen contractor and supply chain requirements:** Encourage project developers to include human rights and community engagement clauses in contractor and joint venture agreements.
- **Encourage early conflict detection:** Support the use of early warning systems that track grievances, community concerns, and other indicators of rising tensions.
- **Promote transparency in conflict tracking:** Encourage companies to track and disclose the financial and operational impacts of community conflict, helping insurers better understand portfolio risk exposure.

## Monitoring indicators for insurers

Insurers can strengthen underwriting decisions by monitoring indicators that signal rising social risk exposure across renewable projects.

Early warning indicators:

- number of grievances received
- recurring grievance themes
- grievance resolution times
- satisfaction with grievance outcomes
- staff training on community engagement.

Operational disruption indicators:

- community-related stoppage days during construction or operations
- major project redesigns linked to social concerns
- litigation cases involving community disputes.

Commitment and engagement indicators:

- commitments delivered versus promised
- proportion of local hiring and procurement
- percentage of project budgets allocated to community engagement
- evidence of community participation in project planning.

## Questions insurers should ask

- What systems are in place to detect and manage emerging community tensions?
- Who within the project governance structure has authority to respond when conflicts arise?
- What are the historical incident rates for this firm and how have these changed over time?
- Can the insured demonstrate engagement readiness through social assessments and stakeholder mapping?
- How many renewable projects in the portfolio have experienced community-related stoppages in the past three years?
- What are the historical incident rates in the country of investment?
- How are contractors and subcontractors managed to prevent community conflict?
- What contingency planning exists for potential operational disruption caused by community opposition?
- What board-level oversight exists for social risk and community relations?

**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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