



# INVESTORS BRIEF

## THE **HIDDEN** BILL OF GREEN CONFLICT

### De-risking Renewable Portfolios by Managing Community Relations

*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 investors should care

Community opposition to renewable energy projects is not simply a reputational or ESG concern. It is a material financial risk that can affect project bankability, portfolio performance, and long-term asset value.

When tensions between companies and communities are poorly managed, the impacts can appear in core financial indicators:

- CAPEX overruns
- lower NPV and IRR
- delayed commercial operation dates
- impairments and write-offs
- higher financing and insurance costs.

These impacts are rarely captured in a single line item. Instead, they appear across multiple departments and project stages - from permitting delays to redesigns, litigation, reputational damage, and stalled construction.

This fragmentation creates what the report identifies as a “hidden bill” of community conflict: cumulative financial, operational, and reputational costs that erode project value but are rarely linked back to their underlying social causes.

For investors, the key issue is not whether tensions arise. Some degree of conflict is common when infrastructure projects intersect with land use, livelihoods, and local development priorities.

The critical question is how companies anticipate and manage those tensions.

Where investees have strong community engagement systems, human rights due diligence, early warning mechanisms, and benefit sharing strategies, tensions can often be addressed early and contained. Where these systems are weak or absent, tensions can escalate into project delays, operational disruptions, litigation, or cancellations.

In high-conflict scenarios, no stakeholder benefits - not communities, companies, or investors.

## Taxonomy of costs

The costs of community conflict can affect multiple dimensions of project and portfolio performance. The report identifies several common categories:

- **Direct losses:** Sunk development costs, physical modifications, infrastructure damage, overheads.
- **Delays and cancellations:** Permitting pauses, stalled consultations, stop-work orders, construction delays, or project cancellations.
- **Financing and insurance impacts:** Higher costs of capital, tighter lending conditions, reduced access to premium and high quality insurance capacity provision.
- **Reputational impacts:** Lower auction success, increased scrutiny from regulators, lenders, and host communities.
- **Opportunity costs:** Lost partnerships, stranded pipelines, reduced asset valuations, foregone generation capacity.
- **Organisational and human costs:** Staff time diverted to crisis management, burnout, legal and communications costs.

## Evidence of scale

Publicly available data on the financial impacts of community conflict remains extremely limited. However, one renewable energy developer quantified the portfolio-level impacts of community conflict over a ten-year period as:

- **US\$200 million in losses** - equivalent to 10–15 years of community investment programmes for a major renewable utility.
- **3.3 GW of undeveloped capacity** - comparable to the total renewable capacity added across the Middle East in 2024.
- **US\$4 billion in foregone investments** - equivalent to nearly 2% of China's average renewable investment between 2015–2024.

These impacts extend beyond individual projects. At scale, they can influence regional renewable deployment, investment confidence, and national energy transition targets.

For investors, identifying and tracking the hidden bill of conflict enables a crucial counterfactual: ***How much value could have been protected if community tensions had been managed earlier?***

## What investors can do

Investors play a critical role in shaping how renewable companies approach community risk. Capital allocation, governance expectations, and financing conditions can all influence whether social risks are managed proactively or only addressed after crises emerge.

Key actions include:

- **Fund early-stage social risk assessment:** Allocate early development capital for context-specific social assessments and human rights due diligence before permitting and financial close.
- **Integrate social risk into investment gates:** Require evidence of stakeholder mapping, engagement strategies, conflict mitigation plans, and grievance mechanisms as part of investment decision-making.

- **Strengthen governance and board oversight:** Encourage portfolio companies to elevate social risk oversight to the board level, ensuring that site-level tensions are visible to senior decision-makers.
- **Embed community engagement in financing agreements:** Include community engagement requirements, grievance systems, and early warning mechanisms within financing covenants and investment agreements.
- **De-risk contractors and joint ventures:** Require social and human rights clauses within contractor agreements and joint venture structures.
- **Encourage portfolio-level risk tracking:** Request that investees track and report the financial impacts of community conflict across their portfolios, linking these impacts to their underlying social causes.

## Monitoring metrics

Investors can strengthen oversight by tracking indicators that signal emerging community tensions and their potential financial implications.

### Early warning systems:

- Number of grievances received and resolution time
- Recurring grievance themes
- Community satisfaction with grievance resolution
- Staff training in community engagement and conflict management

### Operational disruption indicators:

- Community-related stoppage days during construction or operations
- Major project redesigns attributable to social concerns
- Open litigation cases related to community disputes

### Commitments and benefit-sharing:

- Commitments delivered versus promised
- Percentage of local hires and local suppliers
- Percentage of project budget allocated to community engagement
- Evidence of community participation in decision-making processes

## Questions investors should ask

- What are the project's primary social risk drivers, and how are they being managed?
- Has the company conducted a context-specific social assessment and human rights due diligence?
- Is there credible evidence of community engagement readiness?
- Are grievance mechanisms in place, and are they trusted and used by communities?
- What indicators trigger internal escalation of community conflict risks?
- How does the company track and aggregate the financial costs of community conflict across projects?
- What board-level oversight mechanisms exist for community relations and social risk?

To learn more about the Hidden Bill of Green Conflict visit  
[www.ihrb.org/resources/the-hidden-bill-of-green-conflict](http://www.ihrb.org/resources/the-hidden-bill-of-green-conflict)



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