APRIL 2026

MARKET INSIGHT

FUEL CRISIS ANALYSIS

OVERVIEW

The global construction sector is experiencing renewed volatility following recent instability in **Middle East** energy markets.

Escalating fuel prices, supply-chain disruption, and freight constraints are already translating into higher construction costs, longer lead times, and increased contractual risk.

This article summarises current conditions, outlines likely **cost impacts** for Australian projects, and highlights key considerations for clients, contractors, and consultants.

MARKET CONTEXT

On **28 February 2026**, coordinated US and Israeli airstrikes on Iran triggered an escalation that materially disrupted global energy markets.

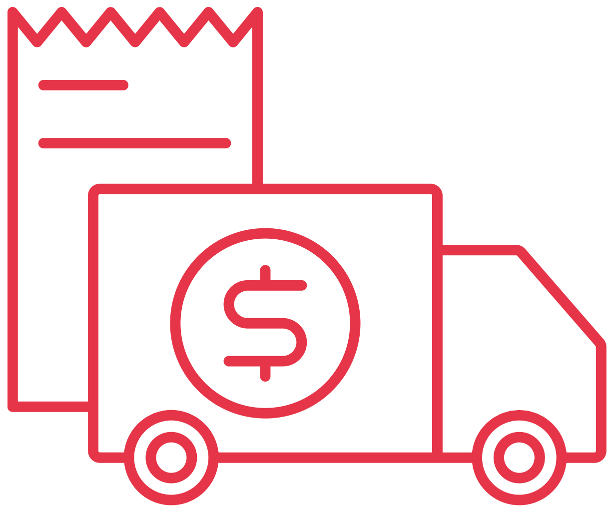
The **Strait of Hormuz**, a critical shipping corridor carrying approximately **20% of global oil and gas supply**, became effectively inaccessible to Western commercial shipping.

Vessels are now required to reroute via the **Cape of Good Hope**, significantly increasing transit times and fuel consumption.

These events have introduced heightened uncertainty into global supply chains, with downstream impacts now evident across the Australian construction industry.

ENERGY COST IMPACTS ON CONSTRUCTION

Rising fuel prices are affecting construction projects through three primary channels:



HIGHER OPERATING COSTS

for diesel-powered plant, equipment, and site vehicles.

INCREASED TRANSPORT & LOGISTIC COSTS

for materials, components, and services

UPWARD PRESSURE ON BUILDING MATERIAL PRICES

driven by supply-chain disruption and pricing volatility

KEY MATERIAL PRICE MOVEMENTS

Material price escalation is now evident across a broad range of construction inputs. These increases reflect both direct fuel costs and indirect impacts, including higher resin prices and constrained production capacity.

- Plastic pipe products (PVC, PE, PP) +30–40%
- Bitumen and asphalt +30–50%
- Reinforcing & Structural Steel +5–10%
- Quarry products (aggregates, sands) 5%
- Concrete Surcharge +$8/m³
- Aluminum cladding +10%
- Laminated timber products +5–6%
- Glazing +9-10%

FREIGHT AND LOGISTICS DISRUPTION

INTERNATIONAL FREIGHT

- Global container shipping rates increased by **~15% during March 2026**
- Significantly higher rates observed on routes proximate to the Middle East

DOMESTIC FREIGHT

- Fuel surcharges applied by Australian freight operators and suppliers
- Typical surcharge ranges: **10–25%**

Freight volatility remains one of the most immediate cost risks, particularly for imported building products and specialist equipment.

MATERIAL LEAD TIMES AND SUPPLY RISK

Supply-chain disruption has resulted in longer and less predictable lead times across multiple packages. Current high-risk categories include:

MECHANICAL AND ELECTRICAL EQUIPMENT	**FACADE AND GLAZING SYSTEMS**	**FIXTURES AND SPECIALIST IMPORTED COMPONENTS**

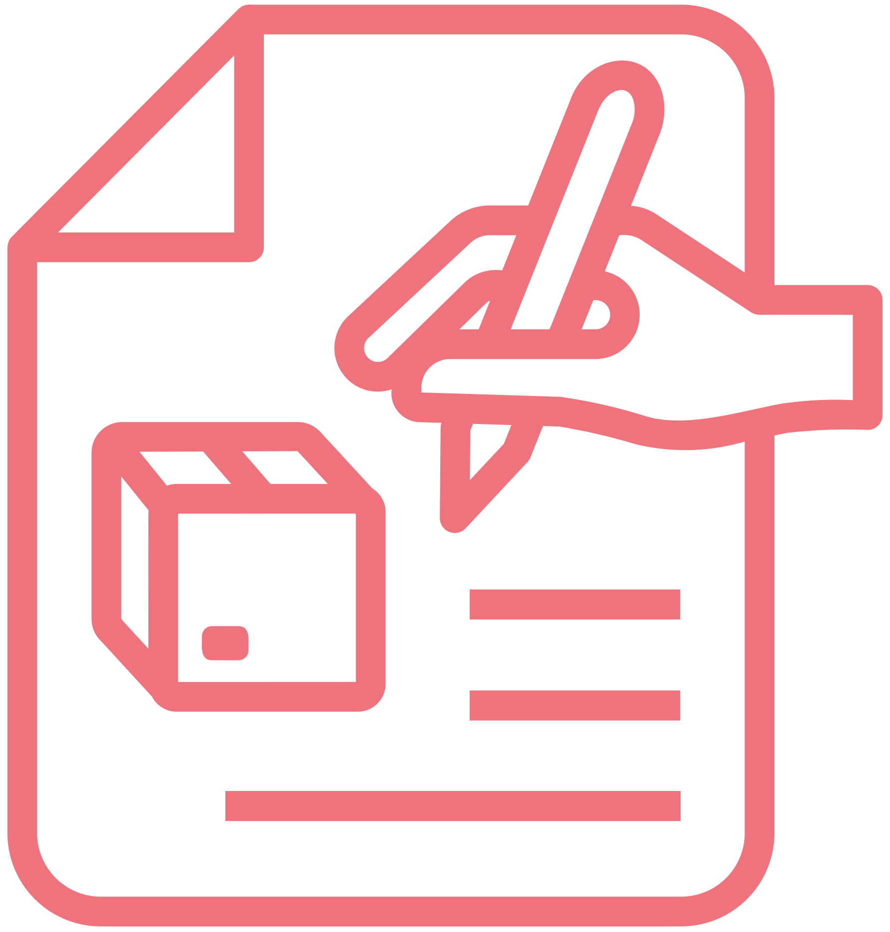
The reliability of previously stable suppliers should not be assumed under current conditions, increasing the importance of early procurement strategies.

PROCUREMENT MARKET RESPONSE

Procurement conditions are evolving rapidly, with several clear market trends emerging:

- Shortening of tender validity periods
- Reduced appetite for fully fixed-price contracts
- Widespread inclusion of material escalation clauses
- Increased use of qualifications transferring risk to principals
- Contractor preference for early procurement of critical-path trades and materials

These trends signal a shift in risk allocation and require closer scrutiny at tender evaluation stage.



CONTRACTUAL AND RISK CONSIDERATIONS

Many standard Australian construction contracts provide **limited protection** against fuel-driven escalation:

- Force majeure provisions are often narrowly defined
- Supply-chain disruption and insurance withdrawal may be excluded
- Relief is commonly limited to **time adjustments**, without cost recovery

In response, contractors are increasingly pricing additional risk into tenders, informed by recent experience during COVID-related disruption

FORECAST CONSTRUCTION COST SCENARIOS

While the ultimate duration and severity of the crisis remains uncertain, **two indicative scenarios** have been assessed for new metropolitan commercial building projects:

Scenario 1 – Short-Lived Disruption

- Fuel pricing normalises by mid-2026
- Short-term pricing spike only
- Minor freight and programme impacts

Forecast impact: +1–2% above baseline 2026 escalation forecasts

Scenario 2 – Prolonged Crisis

- Elevated fuel prices persist through late 2026 and beyond
- Sustained escalation across materials, logistics, and preliminaries
- Greater impact on long-duration projects

Forecast impact: +6-9% above baseline escalation forecasts

Civil and infrastructure projects are expected to experience more pronounced impacts, with regional projects exceeding metropolitan escalation levels.

RECOMMENDED ACTIONS

In response to current market conditions, industry stakeholders should consider:

- Proactive review of contract risk allocation and escalation provisions
- Early and disciplined procurement planning for high-risk packages
- Transparent risk-sharing arrangements between project parties
- Ongoing monitoring of fuel markets, freight costs, and supplier capacity
- Early, consistent communication to support informed decision-making

While no single strategy eliminates volatility, a structured and collaborative approach can materially improve project resilience and delivery outcomes.