

A wooden map of Australia is shown, with the word "AUSTRALIA" engraved on it. The map is set against a dark blue, textured background. The wood is light-colored and has a natural grain. The map is slightly tilted and has a rough, hand-cut appearance.

AUSTRALIA

## Early implications for Australian projects Market brief: Middle East conflict

25 March 2026

## Market Brief: Middle East Conflict

**The escalation of conflict in the Middle East is flowing into Australian construction markets primarily through cost, procurement and programme volatility. This brief sets out where risks are emerging, why they matter, and how projects can respond proportionately.**



### Executive summary

- Escalation involving Iran has lifted geopolitical risk in energy and shipping markets. Australia is affected mainly through prices and supply chains, not direct supply loss.
- The near-term risk is volatility: diesel, freight and insurance costs can move quickly, and suppliers may shorten quote validity or reprice work.
- Highest exposure sits with fuel, bitumen, polymer-based products, energy-intensive metals, and long-lead mechanical and electrical plant, especially where orders are not locked in.
- Contractors and suppliers are already moving early. Even without sustained disruption, uncertainty can trigger price holds, conservative allowances and tougher contract positions (as seen during COVID-era volatility).
- Projects will do best where risks are defined, procurement is planned early, and contracts share risk in a workable way.

## What's driving the risk

### Energy & fuel

Global oil market volatility linked to Middle East supply risk is flowing through to diesel pricing, which underpins construction plant, freight, civil works and logistics. Contractors are increasingly concerned about diesel price exposure, particularly on civil and plant intensive scopes.

While Australia has received its scheduled fuel shipments to date, a potential pinch point is emerging in mid-April, with six of 81 shipments already turned back or deferred. Several large energy companies have increased export volumes to Australia, which is expected to offset near-term supply risk, although conditions remain closely monitored.

### Shipping & logistics

Disruptions and diversions in global shipping lanes (including the Red Sea) are increasing:

- Freight costs (fuel and insurance driven)
- Lead time variability
- Pricing validity risk for imported materials and equipment

### Materials most exposed

There is no evidence at this stage of widespread material shortages in Australia. The risk profile is uneven and concentrated in specific inputs:

- Fuel and energy-linked products: Immediate volatility
- Bitumen and road inputs: Early and acute sensitivity
- Polymer-based products (PVC, polyethylene, polypropylene): Exposure through hydrocarbon-based manufacturing inputs
- Structural steel and aluminium: Energy-intensive production and freight sensitivity
- Mechanical and electrical plant: Long lead times and imported components
- Copper-intensive services: Medium-term exposure for services-heavy buildings, including hospitals, data-driven assets and infrastructure-adjacent developments



### How a single material can shift project feasibility

Recent supplier advice indicates price increases of up to 36% on PVC, HDPE and stormwater pipes and fittings. On a typical \$100m Victorian apartment project, this can equate to approximately \$5,000–\$7,000 per apartment in direct materials uplift alone, illustrating how volatility in a single, low-profile material can create meaningful feasibility pressure.





## What we're seeing in the market

Most contractors are holding positions open, reflecting the early and fluid nature of the conflict. Should the current trends persist, contractors are indicating they may:

- Shorten tender validity periods
- Include targeted qualifications for fuel, freight and specific materials
- Increase the use of provisional sums or capped escalation mechanisms
- Resist blanket escalation clauses

## Project controls implications

### Cost & contingency

Heightened volatility reduces the reliability of static benchmarks and single-point escalation assumptions. We see greater divergence between P50 and P90 outcomes, particularly where fuel, freight and foreign exchange exposure are not explicitly modelled.

### Programme & supply chain

Longer and less reliable lead times increase critical path sensitivity and erode float. Projects already in delivery are most exposed where long-lead items remain unprocured. In many cases, time has become the primary cost multiplier, through preliminaries, finance and resequencing.

### Commercial environment

Expect increased claims activity where contracts lack:

- Clear escalation mechanisms
- Defined treatment of force majeure and delay
- Disciplined change control processes



### What this brief does and does not do

The situation is changing quickly. Early moves in the market may reflect caution and speculation, not actual disruption. We will update with timing and impact as better evidence emerges.

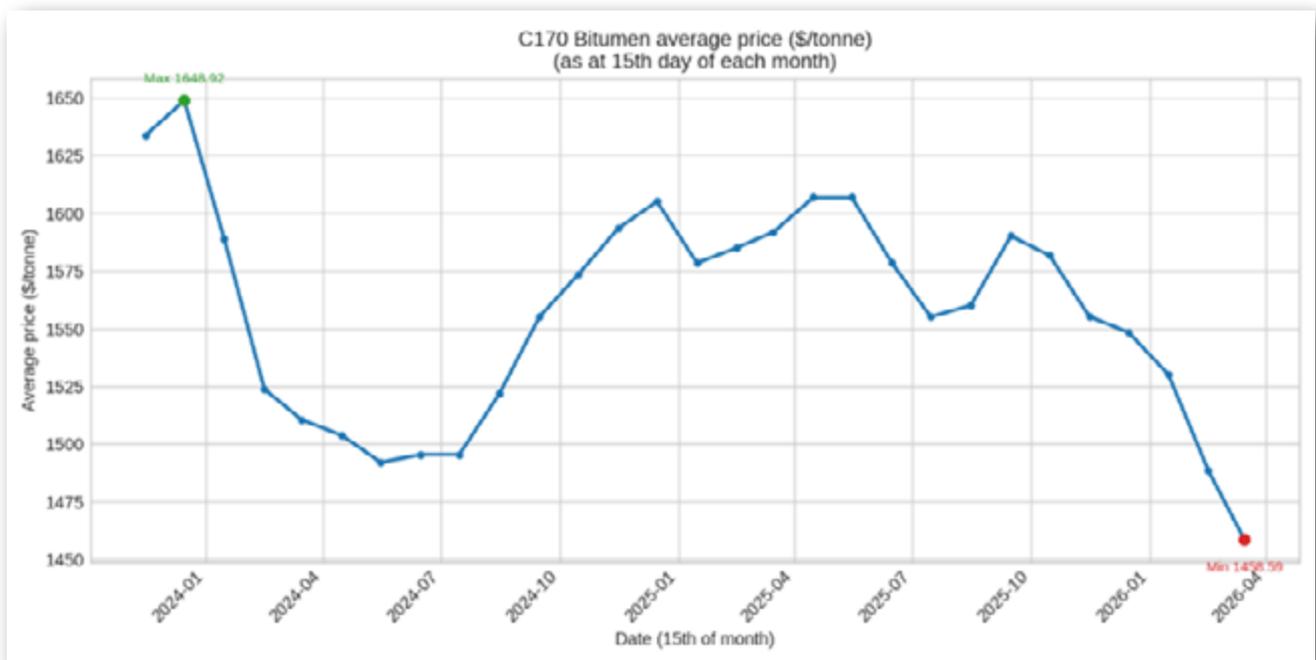
## Bitumen: why it matters and what to watch

Bitumen is a good test case for how Middle East energy risk can show up in Australian construction, and how easy it is to over-read price moves.

Some commentary is already calling upward pressure from energy supply risk. But the starting point is low. Queensland Main Roads data shows C170 bitumen at the 15 March 2026 reading was at a two-year low, almost \$200 per tonne below a December 2023 high.

If prices rise from here, part of the move may simply be a rebound from a low base. Without that context, projects can label a normal correction as “geopolitical escalation.”

The practical issue is contract treatment. Make sure escalation clauses are clear, assessments rely on data, and change decisions follow a consistent process.



**Source**

Department of Transport and Main Roads, Queensland



## What clients can do now

### 1 Be precise about risk

- Isolate specific drivers (e.g. diesel, freight, selected materials).
- Avoid accepting broad, undefined escalation wording.

### 2 Address fuel exposure explicitly

- Consider capped diesel escalation mechanisms where appropriate.
- Test contractor assumptions on plant usage and burn rates.

### 3 Stress-test procurement

- Identify long lead and imported items early.
- Engage suppliers pre tender to validate lead times and pricing behaviour.
- Build in substitution flexibility where possible.

### 4 Re-calibrate contingencies

- Ensure contingencies reflect volatility, not just quantum.
- Re-forecast more frequently rather than increasing blanket allowances.

### 5 Strengthen governance

- Tighten change control thresholds and evidence requirements.
- Ensure real time cost and programme tracking is in place to detect early drift.

## Bottom line

This is not a crisis scenario, but it is a clear reminder that geopolitical risk has re-emerged as a live, project-relevant variable. The most resilient projects will respond with clear scope, specific risk allocation, balanced commercial terms and disciplined project controls.

Slattery will continue to monitor conditions and update advice as the situation evolves.



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