MARKET INTELLIGENCE BULLETIN

GEOPOLITICAL RISK & COST UPDATE

EXECUTIVE SUMMARY

The military escalation involving the US, Israel and Iran (commenced on 28 February 2026) continues to create significant pressure across the UAE construction market. Although project sites remain largely operational, the impact is being felt well beyond cost alone, with increasing challenges emerging across supply chains, procurement, programme, contract administration, safety and overall project delivery. Lead times are extending, risk premiums are entering the market, and uncertainty is affecting decision-making at every stage of the project lifecycle. Developers should treat this as an active and evolving risk environment requiring a coordinated, multidisciplinary response. Overall risk level AMBER – RED as indicated below.

Risk Area	Status	Summary Note
Supply Chain & Logistics	RED	Strait of Hormuz severely disrupted; Jebel Ali Port impacted; major shipping delays
Material Cost Escalation	RED	Aluminium +15%, diesel +72% in UAE; structural steel lead times extended
Energy & Fuel Costs	RED	Brent Crude ≈ US$100/bbl; UAE diesel AED 4.69/litre (March: AED 2.72/litre)
Force Majeure & Contractual Risk	AMBER	Contractor FM notices being issued; review all contract provisions immediately
Currency & Procurement	AMBER	AED pegs stable; import cost pressure from EUR/GBP goods increasing
Labour & Site Operations	AMBER	UAE sites operational; airspace disruption affecting labour mobilisation
Tender Market	AMBER	Risk premiums being priced into new submissions; contractor appetite uncertain

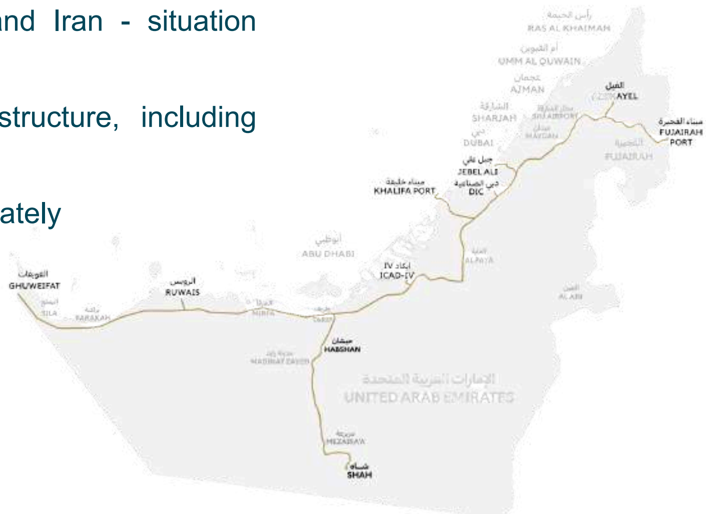
Inside UAE Pavilion by Santiago Calatrava, Expo City Dubai.
Image: Dubai Media Office.

GEOPOLITICAL SITUATION OVERVIEW

A two-week ceasefire has been agreed on 8 April 2026, however, global supply chains continue to feel the effects and there is, as of today, no certainty as to how long disruption will persist or how quickly international logistics and supply networks will normalise.

Key developments over the last 6 weeks

- Temporary ceasefire agreed between US / Israel and Iran - situation fragile; trigger events continue to be monitored.
- Iranian drone attacks on key Gulf industrial infrastructure, including aluminium smelters in the UAE and Bahrain.
- Strait of Hormuz remains severely restricted; approximately 170 container vessels reported trapped or rerouted.
- UAE evaluating alternative export corridor options including India – Middle East – Europe Corridor (IMEC) and expanded overland routes together with on-land infrastructure (e.g., Etihad Rail).
- GCC governments maintaining heightened security posture across energy and infrastructure assets.

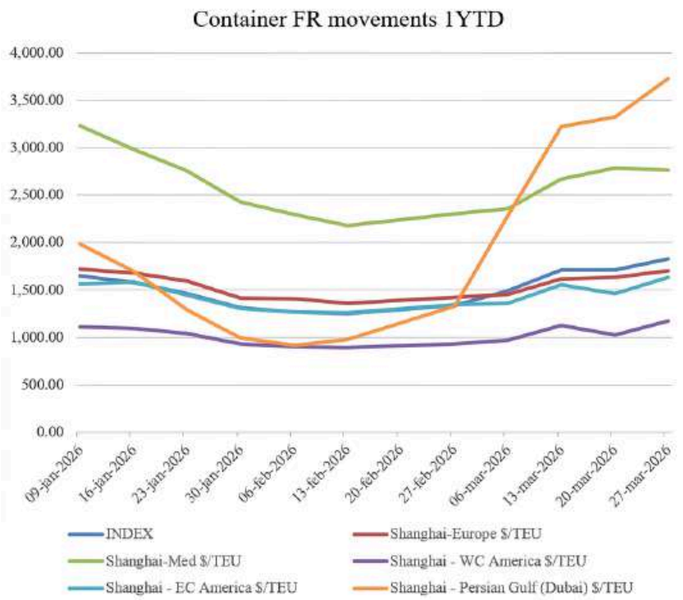


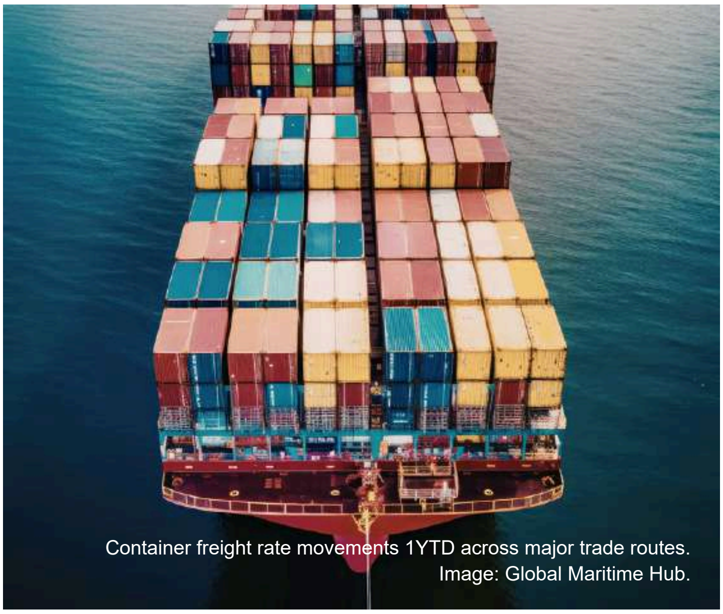
Etihad Rail network across the UAE.
Image: Etihad Rail.

SUPPLY CHAIN IMPACTS

The effective closure of the Strait of Hormuz has created unprecedented disruption to maritime trade, air cargo and critical industries worldwide. The conflict has triggered a surge in force majeure declarations affecting suppliers not only in the conflict zone but across Asia. Three critical areas are being impacted simultaneously: maritime shipping, airfreight and industrial supply chains.

MARITIME SHIPPING





Container freight rate movements 1YTD across major trade routes.
Image: Global Maritime Hub.

- Approximately 170 container (circa 450k TEU) ships trapped or diverted away from the Strait of Hormuz (lloydslist.com).
- Gulf Ports in the UAE are disrupted and this is significant for the GCC as well as other regions relying on UAE for transshipments. The largest UAE western cargo ports in terms of Twenty-foot Equivalent Units or TEU are Jebel Ali (22.4m TEU) and Khalifa (5.5m TEU), while the largest on the UAE east coast are Khor Fakkan (4m TEU) and Fujairah (1.5m TEU) (sarabdxb.com).
- Vessels idle due to restricted waterway access; alternative routing via Gulf of Oman (Khor Fakkan / Fujairah) available but at significantly higher insurance cost and transit time.
- Container freight rates (US$ 1,000–1,600 per box), could reach to US$ 4,000 if conflict is prolonged (globalmaritimehub.com).

AIRFREIGHT

- FedEx suspended flights to/from Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, UAE, KSA (sekologistics.com).
- Emirates: Partial recovery progressing, with approximately 50–60% of pre-crisis services operating in select corridors.
- Qatar Airways, Cathay Group and Etihad have implemented temporary restrictions on Middle East freight operations.
- Nearly one-fifth of global air cargo routes face delays as airlines avoid conflict zones - lead times significantly extended.

Airfreight cargo operations at an international airport.
Image: Getty Images.

Heavy goods transport on regional supply routes.
Image: Pixabay.

LAND FREIGHT & OVERLAND CORRIDORS

- While overland routes (trucks, rail) cannot substitute for maritime capacity at the volumes required by major construction programmes, land freight is providing a partial mitigation for some material flows and is worth monitoring as the situation evolves; for instance a container vessel can accommodate circa 15-24k TEU, a train only 100-200 TEU and a truck only 1-2 TEU.
- Emirates Global Aluminium (EGA) has been diverting finished metal by truck to both Khor Fakkan and Fujairah Ports, demonstrating that overland bypass of the Strait is operationally feasible for some bulk materials, albeit at significantly higher cost and transit time.
- The GCC internal road network (UAE–KSA–Kuwait corridor) remains fully operational, and intra-GCC trucking of certain materials continues without direct conflict disruption.
- Notwithstanding the above, overland capacity is finite and is being competed for by food, fuel, medical and military logistics - construction materials will not be prioritised in allocation. Transit times via overland alternatives are substantially longer than pre-conflict sea freight benchmarks, with direct programme and sequencing implications for active projects.

MATERIAL COST MOVEMENTS

Brent crude has risen well above the US$100-a-barrel mark and the impact on UAE construction was felt acutely on 1 April when domestic fuel prices were adjusted, with diesel surging to AED 4.69 per litre, up sharply from AED 2.72 per litre in March - a nearly 72% increase with immediate implications for project overheads (meed.com).

Aluminium prices have surged to four-year highs, with LME benchmark prices reaching US$3,645 per metric tonne following Iranian airstrikes on Emirates Global Aluminium (EGA) and Aluminium Bahrain (Alba), both of which sustained significant damage (GulfBusiness.com).

Emirates Global Aluminium production facility.
Image: Emirates Global Aluminium.

The price of aluminium increased by 8% in March alone, with direct impact on automotive, aerospace, electronics and construction industries. Structural steel supply chains via Jebel Ali remain under pressure, with extended lead times from Asian producers.

The most immediate economic impact of the ongoing Middle East conflict on the construction industry is likely to be heightened volatility in global energy markets, driven by continued risk around the Strait of Hormuz. Higher energy prices will quickly feed through to construction costs, particularly for domestically produced, energy-intensive materials such as bricks, steel, and concrete, as well as bitumen and asphalt.

Aluminum Bahrain BSC (Alba) has started a phased shutdown at the world's largest single-site aluminum smelter in an effort to conserve inventory following the closure of the Strait of Hormuz. With shipping disrupted, Alba and other regional producers are struggling to secure alumina feedstock and have been forced to suspend sales to customers. As a result, manufacturers are facing a sharp rise in prices, with aluminum on the London Metal Exchange climbing to its highest level since 2022. Petrochemical-based products, including PVC, insulation foams and other synthetic construction materials - are also likely to rise in price as feedstock costs track oil and gas markets.

Close-up Middle East map of strait of Hormuz. Image: Getty Images.

This volatility can have material consequences for contractors and developers. Many projects are delivered under fixed-price contracts, so sudden increases in input costs can compress margins and trigger budget renegotiation.

Global Data forecasts the predicted impact of each US$ 10 rise in a barrel of crude oil on key construction metrics as of 8 April 2026.

CATEGORY	COST IMPACT	LAG TIME	KEY SOURCE
Steel	+ 3% to +5%	1 – 3 months	BMO Capital Markets
PVC / Plastics	+4% to +6%	Immediate (1 month)	Wahyuni et al, 2024
Cement	+2% to +3%	2 – 4 months	Global Cement
Transportation	+5% to +8%	2 weeks	RAC

Source: Global Data, 9 April 2026

Global Data's subsidiary, MEED, had done an economic impact assessment based on the rising fuel and construction costs in UAE early April 2026, and the analysis shows:

CATEGORY	COST IMPACT	PRIMARY DRIVER
Earthworks / Infrastructure projects	+4% to +6%	Heavy Machinery (Excavators, Cranes, Dozers) fuel consumption
Ready-mix Concrete & Steel Delivery	+5% to +8%	Bulk Material Transport Fleet Overheads
Road Construction & Asphalt	+6% to +9%	High Heat Requirements and Heavy Transport
General Building Projects	+2% to +3%	Incremental Material Price Hikes

Source: Global Data / MEED, 2 April 2026


Hand fueling red car
Image: alvarostock.

ENERGY & FUEL COSTS

The fuel cost impact represents one of the most immediate and quantifiable cost risks to active construction projects. The UAE government adjusted domestic fuel prices on 1 April 2026, with diesel rising to AED 4.69 per litre from AED 2.72 last month, a 72% uplift in a single month. This has far-reaching implications for project overheads across plant operations, site power generation, and the transportation of bulk materials including sand, steel and cement.

- Brent crude oil is trading above US$ 100 per barrel, a level not sustained since 2022.
- Generator and plant running costs on site should be recalculated against current fuel rates.
- Utility and district cooling cost outlooks are under review by relevant authorities - further adjustments are possible if the conflict continues.
- High fuel prices are feeding through to all freight modes - trucking, aviation and sea freight - compounding material cost pressures.

Source: Trading Economics 17 April 2026

Freight Terminal at Night
Image: Getty Images.

CURRENCY & PROCUREMENT RISK

The AED remains pegged to the US$, providing a degree of short-term exchange rate stability for projects denominated in local currency. However, the broader inflationary environment driven by energy costs, freight premiums, and supply constraints is eroding effective purchasing power for imported goods - particularly those priced in EUR or GBP.

- High fuel prices will continue to feed through to freight rates; if production in key manufacturing countries slows, inventory pressures will intensify.
- EUR and GBP-priced goods (European fit-out materials, specialist MEP equipment) carry growing import cost exposure.
- Forward buying of critical long-lead items is strongly recommended where contractually and commercially permissible.
- Where feasible, Omnium recommends exploring alternative sourcing from markets with lower conflict-related exposure, such as India, Turkey and parts of Europe. Omnium also recommends usage of local, readily available products (e.g, RAK Ceramics etc.).
- Insurance premiums for goods in transit through the region are increasing; clients should confirm coverage arrangements with their supply chain.

CONTRACTOR & SUBCONTRACTOR MARKET

Contractors across the UAE are issuing pre-emptive Extension of Time and force majeure notices citing material cost escalation, extended delivery lead times, and the impact of the conflict on energy prices and shipping routes.

In the UAE, these notices carry the added dimension of the risk of direct strikes on project locations or key supply infrastructure.

OMNIUM RESOLVE ADVISES CLIENTS TO TAKE THE FOLLOWING STEPS IN RESPECT OF CONTRACTOR AND SUBCONTRACTOR RISK

- Verify the contractual basis for any force majeure or EOT notices received and diarise response deadlines strictly.
- Events may give rise to considerations under Force Majeure / Exceptional Events provisions will depend on the specific contractual terms and the facts of each project. Entitlement is not automatic and requires careful contractual assessment.
- Force Majeure / Exceptional Events encompasses circumstances where performance of contractual obligations is prevented, including restrictions on site access, inability to mobilise labour, and disruption to logistics or supply chains.
- New tender submissions are attracting risk premiums on material, logistics, and fuel-linked items - cost plans and budgets for packages yet to be procured should be reviewed.
- Omnium recommends proactive monitoring of Tier 2 and Tier 3 subcontractor financial health, particularly those with high import content and limited liquidity.

PROJECT-SPECIFIC RISK FLAGS

The following risk flags apply across Omnium's UAE and KSA client portfolio and should be reviewed on a project-specific basis:

Risk Flag	Recommended Action
Materials on order with extended lead times (structural steel, MEP plant, curtain walling, specialist fit-out)	Review procurement status urgently; confirm current ETA with suppliers
Fixed-price lump sum contracts with high import content	Assess contractor exposure; consider commercial negotiation on risk-sharing
Force majeure / EOT notices received or anticipated	Review contract provisions immediately; document all disruption-related correspondence
Packages yet to be procured at pre-conflict budget	Reassess cost plan allowances; factor in freight premiums and risk contingency
Energy / infrastructure projects or sites in elevated risk zones	Undertake project-specific risk assessment; confirm insurance coverage and policy triggers
Subcontractors with high fuel or airfreight dependency	Monitor financial health; consider early material procurement support where possible

Omnium International PM staff on site.
Image: Omnium International

PROJECT MANAGEMENT PERSPECTIVE: PROTECTING DELIVERY MOMENTUM IN A VOLATILE MARKET

While cost escalation and supply chain disruption are understandably dominating industry discussions, the project management implications of the current regional tensions are equally significant. From a PM perspective, the issue is not simply whether materials cost more, but how uncertainty affects programme certainty, procurement sequencing, contractor mobilisation, stakeholder confidence and the industry's ability to maintain meaningful progress on site.

Across the market, we are seeing that periods of geopolitical instability place pressure on delivery strategies in several ways. Lead times become less reliable, procurement decisions carry greater risk, and project teams are forced to make critical decisions in a less predictable environment. In these conditions, strong project management becomes essential to maintaining control.

The key challenge for developers is balancing the desire to keep projects moving with the need to make considered decisions on risk. Delaying procurement or splitting packages may appear to reduce immediate exposure, but in practice can create far greater delivery risk through contractual interfaces, coordination issues, abortive work, disruption to the critical path and ultimately higher total outturn cost. In many cases, the better approach is not to pause, but to proceed with stronger governance, clearer risk allocation and tighter control of information, approvals and sequencing. This is particularly relevant where enabling works are already advanced, site maintenance costs are accumulating, or programme momentum is commercially important.

From a project management standpoint, this environment calls for a more proactive style of delivery leadership. That includes early identification of long-lead risks, pressure-testing procurement strategies, ensuring design information is released in line with construction priorities, monitoring contractor readiness in greater detail, and maintaining disciplined decision-making across the client, consultant and contractor team. The impact of regional tensions is not only financial; it is operational. Projects with incomplete information, weak coordination or delayed decisions will feel that impact most sharply.

Health, safety and operational resilience must also remain central to the conversation. In the current climate, project teams should ensure that contractor HSE plans, logistics strategies and emergency procedures are sufficiently robust for a heightened risk environment, while also maintaining confidence across the workforce and wider stakeholder group. Clear communication, defined escalation routes and active scenario planning are becoming increasingly important components of effective project delivery.

Ultimately, this is where a multi-disciplinary approach becomes especially valuable. Cost advice, contract strategy and dispute awareness are all crucial, but they must be matched by strong project management oversight to translate strategy into controlled delivery. In a market shaped by uncertainty, the projects that perform best will be those supported by joined-up thinking across cost, programme, procurement, risk and execution.

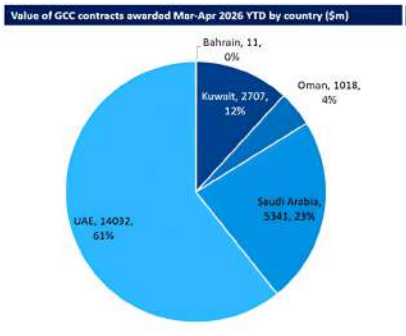
Construction Site at Sunset
Image: Getty Images.

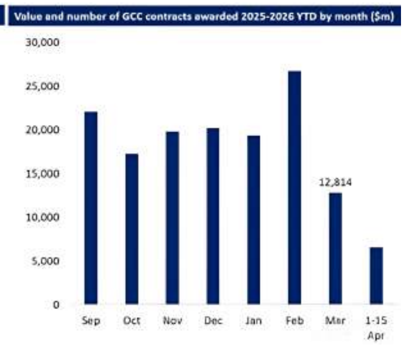
PROJECTS ACTIVITY (MARCH 2026 - MID APRIL 2026)

Since the onset of the conflict and its associated repercussions, the total value of contracts awarded stands at approximately US$12.8 billion as of March - a figure that compares favourably with preceding months, albeit with a marginal decline.

Tendering and contract awards continue to move forward, reflecting a construction sector that remains active and largely uninterrupted. For the first half of April 2026, awarded contract values are estimated at around US$7 billion - and when projected across the full month, this trajectory points to a figure in the range of US$14–15 billion, underscoring the market's underlying resilience and investor confidence.

Within the region, the UAE's Oil & Gas sector in Abu Dhabi and Dubai's Real Estate market are the standout drivers of contract activity. The UAE as a whole commands a dominant 61% share of total project awards over the past six weeks, with Saudi Arabia accounting for 23%, Kuwait at 12%, and Oman rounding out the group at 4%.





Source: MEED Projects, 16 April 2026

Large cargo ship loading containers at port
Image: Corina Ciocirlan's Images.

IMMEDIATE ACTIONS

- Review all active contracts for force majeure, hardship, and price escalation provisions - diarise all notice periods and response deadlines.
- Confirm current delivery status and updated ETAs for all materials on order, particularly aluminium, structural steel, MEP equipment and specialist fit-out items.
- Recalculate plant, generator and logistics cost allowances using current April 2026 fuel prices - escalate to cost plan if variance is material.
- Compile contemporaneous records of all disruption-related costs, delay events, and supplier correspondence - essential for any future claim or EOT assessment.
- Verify contractor and supply chain insurance positions, particularly regarding political risk, marine cargo and transit coverage.

SHORT TO MEDIUM-TERM MEASURES

- Explore alternative supply origins for steel and MEP components from markets with lower conflict exposure - India, Turkey, and European suppliers represent viable alternatives for many product categories.
- Review project contingency and risk allowances across all active cost plans - current provisions based on pre-February 2026 market conditions are likely to be insufficient.
- Introduce price fluctuation mechanisms into new contracts and subcontracts where absent - Omnium can advise on appropriate formulations under UAE law.
- Consider forward buying or bulk procurement of critical materials where the financial position and contract terms permit.
- Engage with contractors early on commercial positions for packages not yet procured - collaborative risk-sharing discussions are preferable to disputes post-award.

OUTLOOK

The temporary ceasefire agreed between the US / Israel and Iran offers some hope of de-escalation; however, the fragility of the situation means that supply chain recovery will be gradual and uneven. Experts warn that the current level of disruption may represent only the early phase of a prolonged adjustment period for global logistics and commodity markets. The United Nations Development Programme has assessed that the Middle East alone faces economic losses of US& 120–194 billion in 2026 (undp.org).

KEY TRIGGER EVENTS TO MONITOR:

- Durability of the ceasefire and any resumption of hostilities.
- Reopening of the Strait of Hormuz to commercial shipping; the Red Sea continues to be in a “fragile calm” phase with fewer attacks than peak crisis, but still militarily and politically unstable, so global shipping not fully returned; rerouting vessels around the Cape of Good Hope add up to two weeks to a shipment’s journey (reuters.com).
- Further strikes on Gulf energy or industrial infrastructure.
- UAE monthly fuel price announcements (first day of each month).
- LME aluminium price movements - US$ 3,500/tonne and above represents a significant project cost threshold.
- Force majeure and hardship claim activity in the regional contractor market.

Omnium International staff on site.
Image: Flat White Production House FZE - LLC.

HOW OMNIUM IS SUPPORTING CLIENTS IN THE CURRENT MARKET

The new risk profile arising from regional hostilities is not confined to cost alone. It is now being felt across time, cost, quality, safety, procurement and contractual risk categories, creating genuine project delivery challenges for clients, consultants, contractors and the wider supply chain.

In our view, this is exactly why a multidisciplinary response matters. The projects best placed to navigate the current environment will be those supported by integrated thinking across commercial management, delivery strategy, planning and contract administration, rather than isolated responses to individual issues.

Across the market, Omnium’s teams are supporting clients in a number of key areas:

- **Design management** to respond to anticipated market changes, maintain buildability and support timely decision-making.
- **Procurement strategy** advice to provide considered direction, strengthen risk mitigation and help clients make informed decisions on timing, packaging and pricing approach.

- **Tender management** to support appropriate risk allocation in light of changing market conditions and evolving contractor positions.
- **Project management** to address contractor concerns, maintain delivery momentum and respond proactively to supply chain challenges.
- **Programming and planning** support to assess progress, identify pressure points on the critical path and mitigate delay impacts where possible.
- **Contract administration** to ensure force majeure provisions and related contractual mechanisms are administered properly and in accordance with the contract.
- **Claims advisory and management** to help protect both clients and contractors through early issue identification, robust substantiation and effective commercial strategy.

In this environment, success will depend on more than cost awareness alone. It will depend on informed decisions, active management and clear alignment across design, procurement, programme, contract administration and claims. That is where a truly multidisciplinary approach adds value.

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For project-specific cost advice, please contact your Omnium Director or email **insights@omniumint.com**