

Topic: Energy & raw material prices/supply-chain disruptions

Brief description and main aims:

The Covid-19 pandemic caused significant disruptions to global supply chains, with several contractors experiencing delays in the delivery of products. The ongoing war in Ukraine has further strained the supply of certain raw materials (e.g., steel) in Europe and price increases for construction materials are being observed across all EU Member States.

At the same time, a sharp hike in energy prices has also been observed across the EU since 2021. Several factors have contributed to this rise in prices, such as the unprecedented increase in gas prices on the global markets, the increased demand for liquefied natural gas, or Russia's unilateral decision to stop gas supplies to several EU countries. Energy-intensive industries including steel, concrete and cement tend to pass on the impact of higher prices to contractors.

Why FIEC is dealing with this topic:

Several contractors in Europe are having serious difficulties coping with rising prices and supply shortages for energy and certain construction materials, with many at risk of not being able to fulfil contractual obligations.

Sustained high energy and raw material costs have a negative impact on production levels, potentially slowing down construction works. In the field of public procurement, many companies refrain from participating in new tenders. To add to the problem, in several Member States, contracts do not take into sufficient account prices increases and clients continue to enforce completion deadlines.

FIEC has repeatedly been raising awareness to the impact of supply chain disruptions and price increases for contractors across Europe. It has also called for measures to be taken at the national and EU-level to mitigate adverse impacts on the sector, especially in the field of public procurement. Public contracts should be adapted accordingly and should include adequate price revision mechanisms for ongoing contracts and adjustment clauses to the completion deadlines.

Actions and key dates:

15/12/2021 – Gas package (including proposal for a recast Energy Performance of Buildings Directive) presented by the Commission

11/04/2022 – FIEC addresses European Commission in a letter, requesting the suspension of steel safeguard measures

06/2022 – 07/2022 – FIEC develops a price index for construction materials (used by DG GROW)

07/07/2022 – FIEC meeting with DG GROW on effects of price increases in public procurement

18/05/2022 – REPowerEU package presented by the European Commission

14/09/2022 – Emergency measures to tackle rising energy prices (Council Regulation)

18/10/2022 – Additional emergency measures to tackle high energy prices announced by the European Commission