

INDUSTRY STATEMENT

Global Bitumen Supply Chain Disruption: Material and Cost Impacts on Australia's Flexible Pavement Sector

Australian Flexible Pavement Association
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The Australian Flexible Pavements Association (AfPA) issues this statement to advise members, road authorities, and industry partners of the supply chain constraints and cost pressures now affecting Australia's road construction and maintenance sector. AfPA monitors the situation closely and will provide updates as conditions develop.

Bitumen Supply Chain Disruption: Current Position

Disruption to maritime trade through the Strait of Hormuz, one of the world's most critical energy shipping corridors, now delivers direct material consequences for Australia's road construction sector. The strait carries approximately one fifth of global petroleum liquids and a substantial share of global liquefied natural gas. The effective suspension of commercial shipping through this passage has triggered global supply chain realignment. Shipping is severely constrained and practically uninsurable, effectively closing the corridor to normal trade. AfPA notes that the longer this disruption continues further layers of risk will compound supply chain recovery timelines and costs in a non-linear way.

Material and Input Impacts

Current disruptions affect several critical inputs to flexible pavement construction and maintenance:

- **Bitumen and bituminous binders:** Australia imports the majority of its bitumen supply for asphalt and bitumen spray seal applications, primarily from Asian refineries in South Korea, Singapore, and Thailand, which depend on Middle Eastern crude oil as feedstock. A number of those suppliers have now cancelled supply commitments or invoked force majeure provisions in response to current conditions. The sector is actively sourcing bitumen from all available global markets to maintain continuity; however, this arbitrage carries material cost implications through freight, logistics, and price differentials. Industry advice from major suppliers and contractors indicates bitumen prices are anticipated to rise by more than 50 per cent. Bitumen supply is experiencing immediate and significant tightening as a result, and there is a real risk of stock depletion and stock outs in the near term.
- **Australian bitumen specification:** Australia operates to a unique C-class bitumen designation under AS2008. Bitumen is currently being sourced and is in transit from alternative global markets, which are supplied to international penetration-grade specifications. These do not align directly with Australian C-class bitumen

standards. AfPA draws this to the attention of road authorities and governments, so they are informed of this distinction when making decisions on procurement and specification requirements.

- **Spray seal, emulsions, and related products:** Spray seal operations consume bitumen at scale equivalent to or exceeding hot mix asphalt applications. Bitumen emulsions, polymer modified binders, cutback bitumen, and other hydrocarbon-based products face the same supply constraints and cost pressures as base bitumen. These products underpin a substantial proportion of Australia's road maintenance program.
- **Diesel fuel:** Diesel underpins every stage of road construction and maintenance, from aggregate heating and drying at asphalt plants, to the operation of pavers, rollers, and bitumen sprayers, to material haulage from quarry to site. Since 1 March 2026, diesel prices have risen approximately 30 per cent. This increase delivers an immediate and material cost impost across all project delivery.
- **Asphalt production:** Hot mix asphalt manufacture demands consistent, high-volume fuel input for plant burner and heating operations. Rising diesel costs and tightening bitumen availability compound to constrain production capacity and elevate delivered asphalt prices nationally.

The sector faces simultaneous supply tightening and cost escalation across its most fundamental inputs. Industry advice indicates that without a restoration of normal trade flows or suitable alternatives, Australia's bitumen supply faces serious risk of stock outages within weeks. Should that occur, road construction and maintenance works will be severely impacted. Similar to other hydrocarbon-based products, bitumen is anticipated to suffer material price shocks greater than 50% over this time frame.

AfPA's Guidance to Industry

AfPA calls on all parts of the sector to respond in a coordinated and measured manner. Specifically:

- **State and Territory Road Authorities:** AfPA calls on road authorities to review and prioritise forward works programs aligned to current material availability, in collaboration with their industry contractors. Critical infrastructure and network maintenance projects must take precedence where supply is constrained. Authorities are encouraged to engage early, transparently, and closely with industry suppliers and contractors to support effective continuity of prioritised works, and to engage with industry on the cost escalation of bitumen and diesel inputs. AfPA also draws road authorities' attention to the bitumen specification matter noted above, so they are positioned to make informed decisions on this issue.
- **AfPA Members and Industry Contractors:** Members should review material cost escalation and supply contingency provisions. Early communication with clients and supply chain partners supports continuity. Delivery on critical and safety-related projects remains the sector's priority.
- **Suppliers and Manufacturers:** AfPA acknowledges the operational pressures suppliers manage in the current environment. Keeping members and authorities informed of material availability and lead times enables effective forward planning across the sector.

Sector Resilience and Industry Commitment

The flexible pavement sector carries a proven record of navigating supply disruption and economic pressure. The industry will continue to actively seek alternative sources of bitumen supply to maintain business and industry wide continuity. Road construction and maintenance remain the sector's national priority, and the industry is committed to sustaining that delivery through the current disruption. The domestic sector continues to supply the market, service maintenance programs, and advance project delivery within current constraints.

AfPA maintains active engagement with government and industry partners nationally to support that outcome.

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AfPA will provide further updates as the situation develops.

Members and stakeholders may contact AfPA directly for further information.