

INDUSTRY STATEMENT

## Diesel/Fuel Cost Escalation Recovery Mechanism

AfPA | March 2026

The Australian Flexible Pavement Association (AfPA) issues this statement to advise members, road authorities, and industry partners that extraordinary diesel fuel cost escalation is now delivering direct and material consequences for road construction and maintenance delivery across Australia. AfPA calls on all state and territory road authorities to adopt fair and transparent fuel cost recovery mechanisms to sustain the sector's capacity to deliver.

### Diesel Cost Escalation

---

Australian Institute of Petroleum data confirms diesel terminal gate prices rose approximately 60 per cent nationally in the first three weeks of the conflict following the closure of the Strait of Hormuz. As of 19 March, diesel TGP exceeds 262 cents per litre across capital city terminals and national average retail diesel has reached 296 cents per litre, approaching \$3.00 per litre for the first time. Regional and rural diesel prices have surpassed 297 cents per litre in some areas. This escalation compounds the bitumen supply and cost pressures described in AfPA's Industry Statement of 12 March 2026. The flexible pavement sector now faces simultaneous cost shocks across its two most fundamental inputs.

### Impact on Asphalt Industry Delivery

---

Diesel is the primary energy source for flexible pavement delivery. Its cost is embedded across the full production and construction chain:

- **Asphalt manufacturing:** Plant burner operations for aggregate heating and drying demand consistent, high-volume diesel input. A price increase in excess of 60 per cent elevates the cost of every tonne of asphalt produced.
- **Material haulage:** Transport of asphalt, binders, and aggregates from plant to site is diesel intensive. Haulage subcontractors are applying fuel surcharges that flow directly to delivered project cost.
- **On-site construction:** Pavers, rollers, profilers, shuttle buggies, sprayers, water carts, and all associated plant operate on diesel. On-site delivery costs increase with every movement in the diesel price.
- **Spray seal operations:** Heating, spraying, rolling, and aggregate spreading for road maintenance programs consume diesel at scale equivalent to hot mix asphalt operations.

**The consequence is clear; current contract pricing does not reflect the actual cost of delivering road construction and maintenance work. Without adjustment, the sector faces contractor losses, reduced capacity, and the deferral of programs that keep communities connected to food, essential services, and each other. Road construction and maintenance is essential infrastructure – diesel supply for this sector must be prioritised accordingly.**

## The Contract Gap: No Rise-and-Fall for Diesel

Most road construction and maintenance contracts across Australian jurisdictions include rise-and-fall provisions for bitumen. These provisions reflect the volatile and globally traded nature of bitumen as an input.

Equivalent provisions for diesel fuel are generally absent. Fuel costs are embedded within tendered rates on the basis that price movements are moderate and predictable. A 60 per cent increase within three weeks – arising from armed conflict – is neither moderate nor predictable. No contractor could reasonably have anticipated this at the time of tender.

There is established precedent for addressing this gap. In March 2022, the Queensland Department of Transport and Main Roads added fuel as an Affected Material under its Annexure E contract provisions, enabling contractors to claim extraordinary fuel cost increases on an open-book basis. That mechanism was administered successfully and provides a direct model for the current situation.

## AfPA's Response: A Standardised Fuel Cost Recovery Mechanism

AfPA has developed a standardised Fuel Cost Escalation Calculator that enables contractors to quantify and substantiate diesel cost increases in a consistent, transparent, and auditable manner. The calculator is available to AfPA members through their state and territory branches. The mechanism:

- a) Benchmarks all fuel cost movements against the AIP Diesel Terminal Gate Price – independently published, publicly available, and updated weekly.
- b) Captures impacts across three categories: asphalt manufacturing, material haulage, and on-site construction plant.
- c) Uses fuel consumption rates sourced from equipment manufacturers and the Australian Trucking Association.
- d) Operates on an open-book basis with documented evidence for administrator assessment.
- e) Recovers only the extraordinary price movement – no overheads, no margins.
- f) Is reciprocal – adjustments reduce if diesel prices fall.
- g) Operates in addition to existing bitumen R&F provisions, not in replacement of them.

AfPA is writing to the chief engineers and directors general of all state and territory road authorities to request adoption of this mechanism or an equivalent approach appropriate to each jurisdiction.

# AfPA's Call to Action

---

AfPA calls on all parts of the sector to act:

**STATE AND TERRITORY ROAD AUTHORITIES:**

Adopt fair and transparent fuel cost adjustment mechanisms on road construction and maintenance contracts. Engage with industry to agree baseline costs, claim processes, and assessment protocols. Recognise that a 60 per cent diesel price increase arising from armed conflict is an extraordinary event that existing contract settings do not address.

**AFPA MEMBERS AND INDUSTRY CONTRACTORS:**

Document all fuel cost impacts from 1 March 2026. Contact your AfPA branch to access the Fuel Cost Escalation Calculator and engage clients proactively. Reference the TMR Annexure E precedent where clients require established authority for the approach. Flag fuel cost risk in all new tenders.

**SUPPLIERS AND SUBCONTRACTORS:**

Communicate fuel surcharges and cost impacts to the supply chain transparently and with supporting evidence. The sector's capacity to recover costs depends on documented, verifiable data at every level.

## An Essential Industry

---

Road construction and maintenance is essential infrastructure. Australia's 800,000-kilometre road network connects communities to food, to farms, to essential services, and to each other. It is the network that enables freight to move, emergency services to respond, and regional Australians to access the goods and services they depend on. Maintaining and building that network is not discretionary, it is a national necessity.

As governments consider fuel allocation and prioritisation in the current environment, AfPA emphasises that diesel for road construction and maintenance must be recognised alongside agriculture, freight, and emergency services as an essential use. Roads are the foundation that all other essential supply chains depend on. Without maintained roads, food does not reach communities, farmers cannot move produce, and services cannot reach the people who need them.

The flexible pavement sector has a demonstrated record of navigating disruption. AfPA is committed to advancing fair contract settings that sustain industry capacity and protect the continued delivery of Australia's road infrastructure.

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

**Tony Aloisio**

Chief Executive Officer

Australian Flexible Pavement Association (AfPA)

24 March 2026