CONSTRUCTION PRODUCTS EUROPE

Position Paper

Middle East Crisis – Impact on the European Construction Products Industry

Industrial, Energy and Single Market Implications

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Executive summary

The tensions in the Middle East are increasingly exposing structural vulnerabilities in global energy and transport systems. A geopolitical shock once seen as temporary is proving persistent, contributing to sustained energy price volatility and ongoing disruption to logistics and industrial supply chains. For the European construction products industry, these pressures could not come at a worse time. The sector is central to delivering EU priorities—from the European Green Deal and the Clean Industrial Deal to the energy transition, housing delivery, and strategic infrastructure. Yet it is being asked to scale up its contribution at a time of subdued demand, tight margins, and tightening financing conditions. Without swift and coherent policy action, these constraints risk slowing investment, delaying projects, and undermining Europe's capacity to deliver on its strategic objectives.

Volatile energy prices, transport disruption and tighter financial conditions, are collectively eroding industrial competitiveness, constraining investment capacity, and weighing on construction activity across the EU. This paper positions the current crisis not merely as a market disruption, but as a strategic test for EU industrial, energy, housing, and Single Market policies—one that calls for decisive, predictable and investment-enabling policy responses to reinforce competitiveness, resilience and the clean transition.

Energy costs, production economics and competitiveness

The Middle East is central to global energy production and maritime trade, and recent shocks have made one point unmistakably clear: when instability hits, the consequences are immediate and tangible. Disruptions to energy infrastructure, refining capacity, and major shipping routes can quickly choke off physical supply, driving real-world shortages and delays, not just temporary swings in price.

While most construction products used in Europe are produced domestically or within the EU, the sector remains exposed through:

- Global energy markets,
- Fuel dependent logistics chains,
- Maritime routes for certain raw materials and intermediate products.

These developments confirm the EU's exposure to external shocks and reinforce the need for a resilient industrial base capable of absorbing sustained volatility.

From geopolitical instability to structural industrial risk

Energy is not just another cost line for the construction products industry; it is the foundation of production. Cement, concrete, bricks, steel, glass, aluminium, insulation materials and countless downstream products all rely on large amounts of energy for manufacturing, processing and transport.

Over the past decade, the sector has taken real, measurable steps to cut coal use, raise energy efficiency and develop lower-carbon production pathways. Yet oil and gas dependency remains substantial and has not declined materially in recent years. That reality matters: today s elevated and volatile energy prices are already translating directly into higher production costs and rising price expectations.

In cases where energy costs have been partially hedged through existing contracts, the impact may be postponed but it cannot be eliminated. When these hedging arrangements expire, sustained cost increases will inevitably weigh on industrial cost structures.

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The surge in energy, raw material and logistics costs is largely outside manufacturers control.

Sustained cost pressures may affect companies' economic sustainability and capacity to invest. Any commercial response, including pricing decisions, is a matter for each company to determine independently and unilaterally, in full compliance with competition law. Where adjustments are made with the objective of preserving industrial viability, employment, and the capacity to invest in innovation and decarbonisation, they should be applied transparently and responsibly through clear, contract-based arrangements within individual commercial relationships along the value chain.

If high costs persist, the risk is clear: EU manufacturers will lose global competitiveness, and investment in the low-carbon technologies needed to meet EU climate objectives will slow at precisely the moment it must accelerate.

Logistics disruption and Single Market cohesion

Disruptions to key maritime routes are no longer a marginal issue they are actively extending transport times, driving up freight costs and injecting damaging uncertainty into supply chains. Even when physical product availability remains broadly stable, price volatility and delivery unpredictability make procurement riskier and project planning far more difficult.

The effects are not felt equally: differences in national energy mixes, logistics exposure and industrial structures mean some Member States and subsectors face disproportionate pressure. If left unaddressed, this uneven impact will widen cost gaps and accelerate fragmentation within the Single Market.

Small and medium-sized enterprises are especially vulnerable, because they have far less capacity to absorb or hedge sudden swings in costs and lead times. That is why protecting a well-functioning Single Market for construction products is essential: it underpins fair competition, gives investors the confidence to stay the course, and strengthens supply chain resilience across the EU.

Competition law and market functioning

Any policy response to the current crisis must be firmly grounded in EU and national competition rules. Measures that compel disclosure of individual company cost structures, pricing models or other commercially sensitive information would create serious legal risks and risk undermining effective competition and investment incentives that the EU needs right now.

Where transparency can be beneficial, it should be pursued in a way that supports market functioning rather than distorting it, notably by improving policymakers' understanding of market dynamics and key cost drivers through appropriately aggregated information. This approach enables informed policymaking while avoiding mechanisms that could facilitate coordination or run counter to established competition-law principles.

Above all, Europe needs a predictable and legally secure framework. Regulatory certainty under competition law is essential to sustain business confidence, unlock investment, and protect the integrity and cohesion of the Single Market.

Energy transition, resilience and policy coherence

This crisis makes one point unmistakably clear: Europe must better align its energy, industrial and climate policies. Secure, reliable and competitively priced energy is a prerequisite for industrial resilience and for delivering decarbonisation at the speed and scale to which the EU is committed.

To turn ambition into delivery, the following enabling conditions must be put in place without delay:

- Restore a more balanced link between electricity prices and fossil fuel prices during the transition period, so electrification is rewarded rather than penalised,
- Fast-track investment in electricity networks and grid capacity, removing bottlenecks and ensuring every region can support industrial electrification,
- Scale up support for low-carbon industrial processes, alternative fuels and electrification wherever it is technically and economically viable so companies can invest with confidence and emissions can fall faster.

In the built environment, electrifying heating is important, but it will not deliver affordability and resilience on its own. To genuinely cut bills and reduce exposure to price shocks, electrification must go hand in hand with a step change in energy-efficiency policy, especially large-scale insulation of building envelopes. Reducing overall energy demand is the most durable way to protect consumers from volatility while supporting the transition.

Key messages for EU policymakers

Construction Products Europe urges decision-makers to act on the following priorities:

- Energy security and affordability: ensure a stable, competitively priced energy supply for energy-intensive industries throughout the transition.
- Competitiveness alongside sustainability: design climate and industrial policies that accelerate decarbonisation while protecting EU manufacturing competitiveness and investment capacity.
- Support for industrial resilience and SMEs: provide targeted support that helps companies withstand volatility, preserve employment, and keep innovation and investment moving.
- Safeguarding the Single Market: uphold consistent rules and prevent fragmentation, so supply chains remain reliable and competition remains fair across the EU.
- Value chain dialogue: strengthen structured dialogue at a non-commercial, aggregated level across the construction ecosystem to improve planning certainty, address practical implementation challenges, and keep projects on track while fully respecting competition rules and independent market behavior.

Conclusion

The current Middle East crisis is a stark reminder that geopolitical shocks do not stay at Europe's borders: they can quickly cascade into higher costs, disrupted supply chains and real industrial stress inside the EU.

For the construction products industry, the impact goes beyond higher input costs. Volatility and uncertainty are becoming the new operating reality, raising risk, delaying decisions and undermining investment. Tackling these pressures is essential if Europe is to meet its climate goals, close the housing gap, deliver strategic infrastructure investment, and sustain long-term competitiveness.

That is why the EU needs a coherent approach that connects energy security, industrial policy, access to finance and the integrity of the Single Market. Only with this alignment can Europe reinforce the resilience of the construction products industry—and safeguard the policy and market conditions that underpin Europe's buildings, infrastructure and clean transition.

PS: This paper is intended solely to inform policymaking and does not seek to encourage or imply any coordination of commercial behavior between undertakings, which remain fully subject to EU and national competition law.

Founded in 1988, Construction Products Europe is a Brussels-based international non-profit making association. The association is made up of national and European associations that represent Small and Medium-size Enterprises and world-leading companies. Construction Products Europe aims to promote the European construction industry, to share information on EU legislation and standardisation and to provide input in all European construction-related initiatives.