

7 April 2026

Dear Sir/Madam

CIRCULAR ON EX-GRATIA COST SHARING FOR DIESEL AND BITUMEN IN ONGOING CRITICAL PUBLIC SECTOR CONSTRUCTION CONTRACTS

This circular informs contractors involved in ongoing critical public sector construction contracts on ex-gratia cost sharing for diesel and bitumen in response to the Middle East conflict.

Background

2 Since the outbreak of the Middle East conflict in early March 2026, diesel and bitumen prices have spiked. Contractors involved in earthworks, foundation/piling works, roadworks and reclamation are amongst the most severely affected due to their heavy reliance on diesel-powered machinery, vehicles and vessels, and have seen significant increases in their operating costs.

Ex-gratia cost sharing for diesel and bitumen in ongoing critical public sector construction contracts

3 As announced in the Ministerial Statement on 7 April 2026, the Government is prepared to share the cost increases for ongoing critical government projects, where any delays or stoppages would clearly affect the public interest. As responsible buyers, **Government Procuring Entities (“GPEs”) will share the Direct Additional Cost incurred by contractors arising from the use of diesel and bitumen from 1 March 2026 to 31 May 2026 on an ex-gratia basis:**

- a. Applicable for critical ongoing public sector construction contracts. GPEs will inform main contractors of eligible critical contracts. Main contractors may then submit their claims for cost sharing and provide the necessary substantiation for GPEs’ assessment.
- b. **The cost sharing will cover 50% of the Direct Additional Cost.**

4 Direct Additional Cost refers to the increase in costs arising from the use of diesel and bitumen from 1 March 2026 to 31 May 2026 to carry out the following construction activities:

- a. Earthworks (e.g. tunnelling, excavation, transportation of excavated materials)
- b. Foundation/Piling works (e.g. diaphragm wall)
- c. Reclamation works
- d. Roadworks

Procedure for submitting ex-gratia claims

5 After the GPEs have informed the main contractors of eligible critical contracts, ***main contractors should collate the diesel and bitumen usage for all relevant subcontractors and suppliers involved in providing works for the contract for the relevant month.*** Main contractors should also prepare a breakdown of how the ex-gratia payment would be distributed among the main contractor, subcontractors and suppliers as part of the submission of the claim to GPEs for assessment.

6 Upon receipt of the claim, GPEs will verify the substantiation submitted by the main contractors and include the ex-gratia payment in the subsequent payment response. ***As the cost sharing is an ex-gratia arrangement, GPEs' decisions are final.***

Passing down the appropriate portion of ex-gratia payment to subcontractors

7 After receiving the ex-gratia payment, the main contractors are to ensure the payment is passed down to the relevant subcontractors or suppliers. Main contractors may be required to submit to GPEs records of their payment responses issued to their subcontractors and/or suppliers upon GPEs' request. If the main contractors fail to submit the required documents, GPEs reserve the right to notify and recover any ex-gratia payment in subsequent interim payment where applicable.

Clarifications

8 For clarification on this circular, please submit your queries at <https://www.bca.gov.sg/feedbackform/>.

Thank you.

Ang Lian Aik
Group Director (Business Development Group)
Building and Construction Authority

(Transmitted via email)