

FIEC/ EIC/ CICA Joint Statement on Ukraine

FIEC/EIC/CICA strongly condemn the invasion of the Ukraine by Russia and ask all the construction companies, members of our affiliates, to act according to the sanctions that have been and will be decided at EU and at the international level. This war of aggression is in stark contrast to everything our federations believe in.

In these dramatic circumstances many initiatives have been launched at various levels to support Ukraine directly, as well as all the refugees that are arriving in the EU Member States and worldwide. Such initiatives are of highest efficiency when they are coordinated by large and officially recognised bodies such as the Red Cross or UNICEF for example and we believe that it is important to continue the coordination of support initiatives through these channels. However, we are also extremely pleased to hear from many of our members about specific individual initiatives that have already been launched such as financial donations, hosting of refugees, providing housing to refugees, etc.

We would like to raise awareness on the deep economic consequences of this major international crisis. The global economic outlook has worsened as stated on March 17, 2022 by the International Monetary Fund Director General and the President of the World Bank Group and several Multilateral Development Banks, « *In addition to the devastating human catastrophe unfolding in Ukraine, the war is disrupting livelihoods throughout the region and beyond. The impacts will be extensive—from reduced energy and food supplies, to increases in prices and poverty and a massive undertaking of Ukraine’s reconstruction, all of which will hamper the post-pandemic recovery around the world* ¹».

EU LEVEL

At the EU level significant increases in the prices of construction materials and products are observed since several months and such developments have accelerated in the last weeks. We also observe disruptions in the supply chains of such materials and products (steel, bitumen,...) because some of them were provided mainly from Russian and/or Ukrainian producers, but also because some manufacturers are artificially causing a shortage. Finally, the increase of energy prices is directly affecting construction companies as well as other stakeholders in our value-chain such as manufacturers of high energy demanding products, such as aluminium, tiles and bricks or tiling, for which the production costs have become unbearable. As price developments are unforeseeable for the coming times, price estimates of construction companies have turned to be an unbearable risk.

This situation is seriously putting at risk the implementation of the investments foreseen in the national Recovery and Resilience plans, because projects are delayed or even suspended, as well as of the initiatives foreseen in the framework of the EU Green Deal and of the Fit for 55 package.

¹ <https://www.imf.org/en/News/Articles/2022/03/17/pr2280-joint-statement-heads-ifis-programs-ukraine-neighboring-countries>

INTERNATIONAL LEVEL

International contractors had to suspend their operations in Ukraine due to the war and it is also difficult to continue working in Russia. In Russia, they are facing sanctions adopted by the Russian government as countermeasures in response to the sanctions adopted by the EU, the U.S. and other countries, such as the mandatory sale of currency proceeds, a ban on dividends and cash exports from Russia, and threats of insolvency proceedings against Russian subsidiaries or quasi-expropriation of foreign investors. More generally, the war in the Ukraine is disrupting the global supply chain due to a shortage of certain raw materials and construction materials, such as reinforcing steel, aluminium, timber or bitumen with unreasonable price hikes as a consequence thereof.

Last but not least, at all levels, slower growth, trade disruptions, and steeper inflation will harm especially the poorest and most vulnerable people.

OUR REQUESTS AND COMMITMENT

Considering the challenges in managing the impacts of such a difficult situation in many ways, FIEC-EIC-CICA:

- encourage national and multilateral authorities to take action to address the root causes of the problem in the energy markets and ensure security of supply at reasonable prices to avoid supply chain disruptions
- ask the European Commission for an immediate suspension of Safeguard quotas for reinforcing steel
- underline the need for a fair allocation of the unusual risks to the parties for the good implementation of the projects and call upon employers/clients to recognise that Russia's invasion of Ukraine can have repercussions on estimated project budgets and on time for delivery caused by actions of war, countermeasures adopted by the Russian government and/or disruptions in the global construction supply chain. We call upon employers/clients to engage constructively on each individual contract by showing flexibility beyond the pure letter of the contractual relationship
- encourage employers/clients to introduce specific mechanisms to capture and absorb related additional costs of contractors, e.g. by agreeing on appropriate price escalation mechanisms and Force Majeure events, and to grant them an extension of contractual deadlines related to the performance of the contract and their contractual obligations. Such approach will avoid an enormous administration, bureaucracy, disputes, and court procedures between the parties (including the supply/subcontractor chain) related to construction projects. Public administrations should provide price escalation mechanisms in their tender documents for upcoming construction projects so that tenderers are provided with a reliable basis for their tender preparation and calculation.
- will facilitate and foster the integration of Ukrainian refugees in the construction industry.

CICA, FIEC and EIC and all its members join the United Nations and the European Union in their urgent calls on the Russian government to immediately stop the aggression, withdraw its troops, and cooperate to find a peaceful solution to the conflict. We express our solidarity with the utterly brave people of Ukraine and we hope that dialogue and diplomacy will now replace military action in order to prevent further bloodshed and destruction.

5th April 2022

FIEC President



Thomas BAUER

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