

**Insights**

## **IRAN CONFLICT: PRACTICAL TIPS FOR MANAGING CONSTRUCTION RISK**

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### **SUMMARY**

Focusing primarily on the UK, UAE and KSA, in this BCLP Insight, Muhammad Hassan and Rebecca Maxwell consider what developers can do now to mitigate the impact of the Iran conflict.

The ongoing Iran conflict has not only affected Gulf states but also countries such as the UK which are dependent on supplies from the Gulf region.

The global nature of the impact of the conflict is sadly of little surprise to the global construction industry which in recent years has had to deal with the very real challenges presented by external events, such as COVID and the Ukraine War.

As at early April 2026, there is no certainty as to how long the conflict will continue and, even then, how long it will take for international supply chains and global mobility to return to normal. Therefore, now is a sensible time for developers to consider how best they can mitigate the potential impact of the Iran conflict on their projects.

Focusing primarily on the UK, UAE and KSA, this Insight takes a look at what developers can do now to mitigate the impact of the Iran conflict.

### **IMPACT OF THE CONFLICT?**

As at the start of April 2026, the conflict is in its early days. In the UK, so far, the impact on projects is minimal although there are reports of contractors issuing pre-emptive extension of time notices citing force majeure and raising concerns about increasing material costs and delivery lead times due to the impact of the conflict on energy prices, fuel bills (and availability) and shipping routes. In the UAE and KSA, contractors are serving similar notices but with the added layer of the more imminent risk of those countries being the targets of actual strikes.

Below we set out some guidelines for developers to follow to effectively manage such a situation. These are broadly the same for all jurisdictions as they are really the basic fundamentals for keeping a construction project on track. We have included a couple of additional considerations for the UAE and KSA to address the impact of strikes.

## KEY GUIDELINES

### *The starting point*

- **Know your contract:** The answer is invariably in the contract. The starting point to understanding and protecting your position lies in identifying the relevant contract provisions and complying with any requirements. Ensure you review the force majeure, change in legislation, cost/price escalation, and insurance provisions in all impacted contracts.
- **Know the law of your jurisdiction:** Knowing the contract is vital but so too is knowing the law of the jurisdiction in which you are operating and also the law of your contract if it is not the same as that of your jurisdiction. The key here is to understand how statutory provisions or codes may place obligations (in addition to those in the contract) on the parties.

For example, both the UAE Civil Code and Saudi Arabia's Civil Transactions Law include force majeure and 'hardship' provisions which may entitle parties to suspend, delay, or be excused from performance even if the contract does not include an express force majeure clause.

Some statutory provisions also provide a procedure to be followed. For example, the KSA Civil Transaction Law provides that a party seeking to relax obligations by reason of hardship caused by an external event must first negotiate a relaxation of those rules before seeking a remedy in the courts.

In many civil law countries, parties may be entitled to suspend, delay, or be excused from performance even if the contract does not include an express force majeure clause, depending on the relevant statutory provisions.

By contrast, English law does not have a 'hardship' doctrine and so whether an event of hardship or force majeure has arisen will depend on the contract terms. Taking the JCT contract as an example, this lists "force majeure" as an event for which extra time can be granted but the term is undefined. This means it will be construed in accordance with ordinary principles of contractual interpretation.

Prudent developers may consider keeping detailed records of any directives issued by the government; any relevant directives issued by foreign governments regarding citizens working at the project; and any notices of air space closures, work stoppages, and/or other international supply chain restrictions. As with the COVID pandemic, where such measures fall short of

qualifying as an event of force majeure, contractors may seek alternative relief on the basis of “change in law” provisions in the contract.

## THE BASICS...

- **Record keeping:** Keep a record of contemporaneous events and meticulous files of all correspondence in connection with any claims which are made.
- **Good communication:** If you haven’t already done so, talk to your contractor and suppliers to identify any potential risks to the supply chain and the general progress of the development that could be caused by the Iran conflict, both in relation to potential delays and increased costs. Ask them to demonstrate how they intend to mitigate such risks and ensure that they have assessed business continuity risks to their supply chain and performance and have a plan.

For those developers with related upstream/downstream contracts for their project, communication is key. The same is true for any lenders/insurers that need to be notified of significant events on the project. In addition to understanding your own rights and the potential exposure to contractor claims, associated contracts ought to be reviewed, requisite notices issued, and (to the extent possible) alignment reached between all interested parties to prevent any additional exposure.

## RESPONDING TO CLAIMS FOR EXTENSIONS OF TIME

- Consider each claim for extension of time on its merits at the time of the claim.
- Evaluate and respond to each claim within the timescales and in line with the provisions set out in the contract.
- When responding to a notice of claim for force majeure, developers should require specificity from contractors regarding exactly which activities at a project have actually been affected by the event of force majeure claimed and the manner in which they have been affected.
- Just because a contractor issues a notice of delay they still need to demonstrate for each project/contract, that the Iran conflict has caused delay to the relevant project and exactly what aspect of the conflict has caused this opposed to a blanket excuse of the conflict as a whole.
- Contractors may seek to interpret the recent conflict as an all-encompassing event that excuses them from all delays. While it is possible that the recent events may have caused some disruption to contractors’ progress, developers should insist on evidence of causation and be wary of any notices/claims relying on force majeure clauses as a blanket excuse for a contractor’s non-performance, under-performance, or delayed performance. Contractors

should identify precisely which individual package(s) of works have been impacted and how this has impacted the critical path.

## **IS IT REALLY FORCE MAJEURE?**

Unforeseen war, hostilities, and military action are commonly cited events of force majeure, and most parties may incline to rush to these contract provisions in light of the recent events.

Application and interpretation of force majeure provisions will depend not only on their precise wording, which may vary significantly from one contract to another, but also whether the applicable facts and circumstances justify the use of these provisions.

For example, is the clause triggered only where the event “prevents” or makes “impossible” the completion of contractual obligations or is it triggered where the event “hinders” or “delays” the performance of obligations? The latter will apply to a broader range of activities and is a considerably lower threshold while the former may, in some cases, oblige a party to take alternative measures to complete their obligations and/or mitigate the effects of the event – even if that comes at significant cost and/or delay.

## **INSURANCE CONSIDERATIONS**

While, thankfully, the risk of direct physical damage to a project site remains relatively low, for UAE and KSA projects, in the event that a project is impacted directly from a strike or falling debris, it would be prudent to review both the contractual insurance provisions and the underlying policies to ensure that costs that can be passed on are done so properly and in accordance with any notification requirements.

## **SITE SAFETY, SECURITY AND DUTY OF CARE**

For the UAE and KSA, while the strikes appear to have been targeted at military sites, certain energy and infrastructure projects have also been specifically targeted. This raises difficult questions for developers and contractors needing to balance their contractual obligations to one another and legal obligations to provide a safe and healthy workplace for employees. There is no single answer to this issue, and employers will need to undertake project-specific risk assessments and work with contractors to implement appropriate measures.

Engaging with contractors will foster transparency and likely result in a pragmatic and commercially sensible solutions being reached with minimum impact on the project. Specific measures employers may consider to protect employees include allowing some or all office staff to work remotely where possible, updating safety and site evacuation procedures, and providing support to employees stranded overseas or unable to travel to site.

## TERMINATION

Whatever jurisdiction the project is in, the core principles around termination remain the same.

Termination should always be approached extremely cautiously. Depending on jurisdiction in addition to contractual options there may also be options at law. Legal advice should always be sought before any action is taken because the consequences of getting it wrong can be devastating (for example, under English law, the terminating party could be sued for repudiatory breach).

Consider the commercial effect of terminating your existing contractor. It will be significantly more expensive to complete the project having changed contractors part way through the contract, and you need to consider whether or how the replacement contractor will be able to source the labour or materials that your existing contractor cannot.

## FINAL THOUGHTS

We don't know how long the Iran conflict will last. However, as previous events which have caused similar shortages have shown, the way forward for parties to construction projects is to work together proactively to engage on the issues so all can agree an appropriate level of risk allocation which is commercially acceptable to both sides.

## RELATED CAPABILITIES

- Commercial Construction
- Construction Disputes

## MEET THE TEAM



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