



Cost, Schedule & Quality Risks After a Middle East Peace Agreement

Risk Category	South Africa: Impact on Existing Projects	South Africa: Impact on New Projects	Africa (Ex-SA): Impact on Existing Projects	Africa (Ex-SA): Impact on New Projects	Global: Impact on Existing Projects	Global: Impact on New Projects	Underlying Drivers
COST RISKS							
Material Cost Inflation	Costs stabilise but remain high; imported steel, copper, electrical equipment remain elevated.	Higher baseline capex; EPCs price in global commodity inflation.	Material inflation persists across West, East & Southern Africa; imported equipment remains expensive.	New projects face higher capex; African markets compete with Middle East for materials.	Costs stabilise but remain elevated.	Higher baseline capex globally.	Reconstruction super-cycle; OEM bottlenecks; supply chain diversion.
Labour Cost Escalation	Skilled labour shortages; wage inflation as SA artisans migrate to Middle East.	Premium labour pricing; competition with reconstruction programmes.	African EPC labour migrates to Middle East; wage inflation across mining, energy & infrastructure.	New projects face premium labour pricing; shortage of skilled EPC labour.	Labour returns but wage inflation persists.	Premium labour pricing globally.	Regional skills shortage; expatriate return lag; EPC labour demand.
EPC Contractor Pricing	SA EPCs maintain higher rates due to global over-commitment.	New EPC bids rise 10–20%.	African EPCs increase pricing; capacity diverted to Middle East.	New EPC bids rise 10–25% across Africa.	Contractors reduce war-risk premiums but maintain high rates.	New EPC bids rise 10–20%.	EPC over-commitment; prioritisation of high-margin reconstruction work.
Insurance & Financing Costs	Political-risk premiums fall; financing costs drop 100–250 bps.	Improved bankability; DFIs still accessible.	Insurance premiums fall across Africa; ECAs re-enter high-risk markets.	New projects benefit from lower cost of capital but face lender caution on inflation.	Insurance premiums fall sharply.	Lower cost of capital globally.	Reduced political risk; DFIs & ECAs re-enter markets.
Change Orders & Claims	Legacy disruptions reduce; OEM delays still drive claims.	Procurement uncertainty drives variations.	African projects reduce claims but still face OEM-related variations.	New projects face scope creep and procurement-driven claims.	Claims reduce but legacy disruptions persist.	New projects face procurement-driven variations.	Backlog of inspections; OEM uncertainty.
SCHEDULE RISKS							
Contractor Remobilisation Delays	Projects restart but face sequencing delays as EPCs shift to Middle East.	Long mobilisation timelines.	African EPCs redeploy teams to Middle East; remobilisation delays increase.	New projects face long mobilisation timelines due to EPC scarcity.	Projects restart quickly but face sequencing delays.	New projects face long mobilisation timelines.	Reconstruction surge; limited skilled labour.
OEM Lead Time Delays	Existing orders fulfilled faster but still delayed 6–18 months.	New projects face multi-year lead times.	African projects face extended delays for turbines, transformers, compressors.	New projects face multi-year lead times for critical equipment.	Existing orders still delayed.	New projects face multi-year delays.	OEM capacity absorbed by reconstruction; global backlog.

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Logistics & Shipping Delays	SA ports stabilise but global congestion persists.	Delivery uncertainty for heavy-lift imports.	African ports (Mombasa, Lagos, Tema, Dar es Salaam) face congestion due to global shipping realignment.	New projects face uncertain delivery schedules.	Ports reopen but congestion persists.	New projects face uncertain delivery schedules.	Red Sea/Hormuz recovery lag; port throughput constraints.
Permitting & Regulatory Delays	SA accelerates approvals for energy & infrastructure.	New projects may wait behind SA energy-security priorities.	African governments prioritise essential infrastructure; permitting accelerates in some markets.	New mega projects may wait behind national reconstruction priorities.	Governments accelerate reconstruction approvals.	New projects wait behind reconstruction priorities.	Government focus on essential infrastructure first.
Resource Competition	SA competes with Middle East for materials & EPC capacity.	Stronger competition extends schedules.	Africa faces severe competition for materials, EPCs & skilled labour.	New projects face extended schedules due to resource scarcity.	Existing projects compete with reconstruction.	New projects face stronger competition.	Simultaneous rebuild across Iran, Iraq, Syria, Lebanon, Yemen.
QUALITY RISKS							
Workmanship Quality Decline	Contractors may rush; shortcuts increase.	New projects risk inexperienced labour.	African EPCs overstretched; workmanship quality declines.	New projects risk quality issues due to inexperienced labour.	Rapid remobilisation may lead to shortcuts.	New projects risk quality issues.	Labour shortages; accelerated timelines; EPC over-extension.
Supply Chain Substitution Risk	Risk of non-spec materials due to shortages.	Reliance on second-tier suppliers.	African markets receive lower-tier components due to global scarcity.	New projects rely on alternative suppliers with higher defect risk.	Existing projects may receive alternative materials.	New projects rely on second-tier suppliers.	OEM bottlenecks; material scarcity; procurement pressure.
Inspection & Testing Gaps	QA/QC improves but global inspection backlogs persist.	Delayed FAT/SAT slots.	African projects face limited inspection capacity; certification delays.	New projects face long waits for QA/QC and certification.	QA/QC improves but backlog persists.	New projects face delayed FAT/SAT slots.	Overloaded certification bodies; global demand spike.
Design & Engineering Quality	Designs may require re-validation.	Compressed engineering cycles increase error risk.	African engineering teams overstretched; design errors increase.	New projects face compressed engineering timelines.	Existing designs may require re-validation.	New projects risk design errors.	Compressed engineering timelines; regulatory updates.
Contractor Over-Extension	SA EPCs stretch across domestic & Middle East work.	New projects face quality risk.	African EPCs over-extend across mining, energy & infrastructure.	New mega projects face quality risk.	EPCs rushing to catch up may compromise QA.	New mega projects face quality risk.	Reconstruction super-cycle; limited senior engineering oversight.