

Fuel Price Escalation Management Framework

Managing Variations Associated with Extraordinary Fuel and Material Cost Increases

Purpose

This fact sheet outlines the process for assessing and managing variation claims associated with extraordinary increases in fuel and material costs resulting from the current Middle East conflict and related market impacts.

The framework aims to:

- Provide a fair and transparent approach to managing extraordinary cost increases.
- Ensure consistency across all Development Service Scheme (DSS) funded projects.
- Maintain project delivery while appropriately managing cost risks.

Key Principles

Contracts Awarded On or After 1 March 2026

Provisional Allowance

A new provisional item shall be included within the construction schedule to address potential extraordinary fuel and material cost increases.

- A provisional sum of **5%** shall be allowed.
- Claims against this allowance will be assessed on a monthly Frequency (or longer frequency as determined by the Superintendent).

Assessment

Contractor claims for additional fuel or material cost relief will be assessed using information on:

- Type and scope of works undertaken.
- Approved percentage increases contained within the Fuel Price Escalation Tables.

- Supporting evidence as required by the Superintendent.

If a contractor is seeking higher costs than applicable from the Fuel Price Escalation Table 1, Melbourne Water will assess these requests on an 'exceptional' basis subject to a full 'open book/ assessment to demonstrate actual increases from tendered price vs supply price across all project elements. If the contractor can supply transparent evidence, Melbourne Water will rely on the Fuel Price Escalation Tables.

Contracts Awarded Before 1 March 2026

Assessment

Contractor claims for additional fuel or material cost relief will be assessed monthly or longer frequency as determined by the Superintendent, based on:

- Type and scope of works undertaken.
- Approved percentage increases contained within the Fuel Price Escalation Tables.
- Supporting evidence as required by the Superintendent.

If a contractor is seeking higher costs than applicable from the Fuel Price Escalation Table 1, Melbourne Water will assess these requests on an 'exceptional' basis subject to a full 'open book/ assessment to demonstrate actual increases from tendered price vs supply price across all project elements. If the contractor can supply transparent evidence, Melbourne Water will rely on the Fuel Price Escalation Tables

Eligibility Requirements

Additional costs will only be considered where:

- ☒ Works were undertaken during the Applicable Period; or
- ☒ Materials were procured during the Applicable period and evidence demonstrates an increase in supply costs.

Diesel Fuel Escalation

Fuel-related variations will be calculated using the **Melbourne Terminal Gate Price (TGP) for Diesel** as outlined in the Fuel Price Escalation Table 2.

Variations will be considered where:

- The average monthly diesel price exceeds **\$2.00 per litre**; and
- The costs relate to the Applicable period.

DSS Reimbursable Works Only

Extra costs are only applicable to DSS reimbursable components of the project.

Extra costs are **not** applicable to Developer-funded components of the project.

Applicable Period

The current extraordinary cost period applies from:

1 March 2026 to 30 September 2026

The ongoing applicability of the Fuel Crisis Variation Framework will be reviewed each month.

Reference Fuel Price

Diesel escalation assessments will be based on:

Australian Institute of Petroleum (AIP) Daily Terminal Gate Prices

[View AIP Terminal Gate Prices](#)

Roles and Responsibilities

Contractor Responsibilities

Contractors seeking relief must:

- Submit variation claims on a monthly or longer frequency.
- Identify affected tender items.
- Provide supporting calculations (where required).
- Supply evidence of increased fuel or material costs.
- Demonstrate that impacts occurred during the Applicable Period.

Superintendent Responsibilities

The Superintendent shall:

- Review contractor submissions against the Fuel Price Escalation Management Framework and Fuel Price Escalation Table.
- Confirm compliance with all eligibility requirements.
- Update, or ensure the update of, tender assessment spreadsheets and cost schedules.
- Verify revised rates and quantities applied to affected items.
- Prepare a concise assessment memorandum for each variation submission that:
 - Confirms compliance with the framework principles.
 - Identifies impacted contract items.
 - Explains assumptions used in the calculation.
 - Summarises the recommended reimbursement value.

The memorandum and attachments should clearly identify:

- Affected tender items.
 - Applicable quantities and rates.
 - Supporting evidence used in the assessment.
 - Final variation calculation.
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Melbourne Water Responsibilities

Melbourne Water shall:

- Review the Superintendent's assessment memorandum and supporting documentation.

- Confirm whether the framework principles have been correctly applied.
- Confirm acceptance or otherwise of the variation within **five (5) business days** of receiving a complete submission package.

Payment

Approved variations will be incorporated into overall project costs and reimbursed through normal payment mechanisms, including:

- Progress claims.
- Practical Completion (PC) payments.
- End of Defects Liability Period (EDLP) payments.

Payment timing will follow standard contractual arrangements, including:

- Percentage complete assessments; or
- Milestone-based payment triggers.

Summary

Extraordinary fuel and material cost relief may be available where:

- ✓ Costs occurred during the Applicable period
- ✓ Evidence supports the increased cost incurred
- ✓ Impacts relate to DSS reimbursable works
- ✓ Claims are assessed and endorsed by the Superintendent
- ✓ Melbourne Water approval is obtained

This framework provides a consistent, transparent and auditable approach to managing extraordinary market-driven cost increases while supporting the continued delivery of critical infrastructure projects.

Fuel Price Escalation Tables

Table 1 - To be read in conjunction with Fuel Price Escalation Management Framework

Category	Item	Unit	TGP Band - % Change post 1 March 2026								
			\$1.80 - \$2.00	\$2.01 - \$2.20	\$2.21 - \$2.40	\$2.41 - \$2.60	\$2.61 - \$2.80	\$2.81 - \$3.00	\$3.01 - \$3.20	\$3.21 - \$3.40	\$3.41 - \$3.60
			% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change
Access Track Rates	Concrete	m2	0.0%	1.7%	3.4%	5.0%	6.7%	8.4%	10.1%	11.8%	13.5%
Access Track Rates	Crushed Rock	m2	0.0%	1.4%	2.8%	4.1%	5.5%	6.9%	8.3%	9.6%	11.0%
Bio-retention Rates	Agi Pipe Rate	m	0.0%	1.6%	3.1%	4.6%	6.2%	7.7%	9.3%	10.8%	12.4%
Bio-retention Rates	Filter Media Screenings Rate	m3	0.0%	2.0%	4.0%	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%
Bio-retention Rates	Geotextile Rate	m2	0.0%	1.0%	1.8%	2.8%	3.9%	4.6%	5.7%	6.7%	7.7%
Box Culvert Link/Base Slab Rates	300mmW to 4200mmW	m	0.0%	1.7%	2.6%	3.5%	4.4%	5.3%	7.7%	10.2%	12.6%
Box Culvert Rates	All sizes	m	0.0%	2.0%	3.3%	4.5%	5.8%	7.0%	9.8%	12.6%	15.4%
Clay Lining Rate	Clay Lining	m2	0.0%	2.5%	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%
Culvert Headwall Setting Rate	Culvert Headwall Setting Rate	m3	0.0%	1.7%	2.6%	3.6%	4.5%	5.4%	7.9%	10.5%	13.0%
Earthworks Rates	Disposal of Excess Cut	m3	0.0%	2.5%	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%
Earthworks Rates	Excavation	m3	0.0%	1.6%	3.2%	4.8%	6.4%	8.0%	9.5%	11.1%	12.8%
Earthworks Rates	Filling - Imported Clean Fill	m3	0.0%	1.6%	3.2%	4.8%	6.4%	8.0%	9.6%	11.2%	12.7%
Earthworks Rates	Filling - Onsite Cut	m3	0.0%	1.5%	3.1%	4.8%	6.4%	8.0%	9.5%	11.1%	12.7%
Earthworks Rates	Stripping	m3	0.0%	1.2%	3.0%	4.8%	6.1%	7.9%	9.1%	10.9%	12.7%
Litter Trap Rates	All sizes	ea	0.0%	1.7%	2.6%	3.6%	4.5%	5.4%	7.9%	10.4%	13.0%
Pipe Connection to Waterways	Pipe Connection to Waterways	ea									
Pipe Connection to Waterways	VicRoads Road - Box Culvert	ea									
Pipe Connection to Waterways	VicRoads Road - Pipe	ea									
Pipe Rates	All sizes	m	0.0%	2.0%	3.3%	4.5%	5.8%	7.0%	9.9%	12.7%	15.6%
Pit Rate	Pit Rate	ea	0.0%	1.8%	2.7%	3.6%	4.6%	5.5%	8.1%	10.6%	13.2%
Planting Rates	Aquatic Revegetation	m2	0.0%	1.0%	1.9%	2.9%	3.8%	4.8%	5.7%	6.7%	7.7%
Planting Rates	Turf Grassing	m2	0.0%	1.0%	1.9%	2.9%	3.9%	4.7%	5.7%	6.7%	7.7%
Planting Rates	Hydroseeding	m2	0.0%	1.1%	2.3%	2.8%	4.0%	5.1%	5.6%	6.8%	7.9%
Planting Rates	Topsoiling (80% from stockpile +20% imported)	m2	0.0%	2.5%	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%
Planting Rates	Terrestrial Revegetation	m2	0.0%	1.0%	2.0%	2.9%	3.9%	4.8%	5.8%	6.8%	7.7%
Planting Rates	Weed Control Matting	m2	0.0%	0.9%	1.9%	2.8%	3.9%	4.8%	5.7%	6.7%	7.6%
Rock Beaching Rate	Rock Beaching	m2	0.0%	1.6%	3.2%	4.8%	6.4%	8.0%	9.6%	11.3%	12.9%
Rock Work Rate	Rock Work	m3	0.0%	1.6%	3.2%	4.8%	6.4%	8.0%	9.6%	11.2%	12.9%
Sediment Trap Rates	First Cleanout Allowance	ea	0.0%	0.9%	1.9%	2.8%	3.8%	4.7%	5.7%	6.6%	7.5%
Sediment Trap Rates	Riprap Allowance	ea	0.0%	1.0%	1.9%	2.9%	3.8%	4.8%	5.8%	6.7%	7.7%
Sediment Trap Rates	Structure Allowance	ea	0.0%	1.0%	1.9%	2.9%	3.8%	4.8%	5.8%	6.7%	7.7%
Structures Rate	Structures Rate	ea	0.0%	0.9%	1.9%	2.8%	3.8%	4.7%	5.7%	6.6%	7.5%
Traffic Management Rates	Minor Council Road	ea	0.0%	0.9%	1.9%	2.8%	3.8%	4.7%	5.7%	6.6%	7.5%
Traffic Management Rates	Major Council Road	ea	0.0%	0.9%	1.9%	2.8%	3.8%	4.7%	5.7%	6.6%	7.5%
Traffic Management Rates	Railway Line	ea	0.0%	0.9%	1.9%	2.8%	3.8%	4.7%	5.7%	6.6%	7.5%

Table 2 - Average Melbourne TGP Feb to July 2026	
Feb-26	163
Mar-26	249
Apr-26	273
May-26	212
Jun-26	176
Jul-26	214
Aug-26	241
Sept-26	257