Briefing

The Iran war shows we need a long term resilience plan

May 2026

Summary

The war in Iran is the latest in a series of crises that have highlighted structural problems with how the UK's economy currently operates. Its wasteful linear nature repeatedly exposes businesses and consumers to volatile material prices and insecure supply chains. A solution is to prevent the unnecessary profligate use of resources, reducing the need for them and then reusing, repurposing and recycling them at the highest value for as long as possible. This is the theory behind a circular economy.

The government has recognised the value of making England more circular but has delayed publication of its Circular Economy Growth Plan. We argue that it should urgently publish this now as a platform to build resilience into the economy, keep costs down and help to prevent the country lurching from crisis to crisis.

Key sectors and supply chains have been left exposed to price and supply shocks from the current crisis, including:

- **Construction materials** could rise in price by 20 per cent, following similar and sustained increases due to Russia's invasion of Ukraine. Techniques are available to reduce material use to offset these rises, but the industry needs more government help.
- **Critical raw materials** like lithium and cobalt are needed for clean energy industries, which are thriving in the face of volatile fossil fuel prices. But supply of these materials is not guaranteed long term. Government intervention should help to reduce reliance on unstable supply chains.
- **Fertiliser** prices are rising and supply has been disrupted by the closure of the Strait of Hormuz. Efforts to reduce food waste and replace synthetic nitrogen fertiliser with home produced alternatives would help to improve prospects for the farming industry and keep food prices down.

Introduction

A circular economy is a resilient economy. Businesses and the wider economy are built on resources. Keeping them in use for as long as possible at their highest value reduces risks. As problems related to economic

security, material extraction and waste rise, the government has recognised a new approach is needed and has committed to move England towards a circular economy, with the specific aims of retaining the value of resources, helping with the cost of living and delivering growth, with new job and investment opportunities.

The first step should be the promised Circular Economy Growth Plan. It was originally expected in 2025 but there have been delays in releasing it.

With the war in Iran and ongoing cost of living crisis, the plan's future is uncertain. But, as the impact of this war has already shown, ensuring resource availability and developing resilient supply chains is critical for the UK's domestic economic stability.

The government should prioritise rather than back away from publishing its Circular Economy Growth Plan, as appears to be happening. It is going to be more vital than ever to move faster in this direction to address structural vulnerabilities in the UK economy.

War, material prices and supply chain resilience

The war in Iran has sent oil and petrol prices soaring, provoking a new energy crisis in countries still heavily dependent on fossil fuels. But the conflict is increasingly having an impact on the wider economy, driving up prices of products and materials. This is often down to the use of fossil fuels needed for extracting and manufacturing, but wider supply chain disruption caused by the extended closure of the Strait of Hormuz is also wreaking havoc. Globally, including in the UK, flows of semiconductors and microchips for electronics, fertilisers, food and medicines have all been disrupted by the war. Medium to long term impacts will reverberate as material prices rise.

This is the latest in a series of crises that have exposed structural problems with the current global linear economy. In 2019, the Covid pandemic revealed the challenges of 'just-in-time' supply chains. In 2021, the grounding of a single ship, the Ever Given, in the Suez Canal, stalled 12 per cent of global trade for six weeks. In 2022, Russia's invasion of Ukraine sent the world scrambling for new sources of the critical mineral nickel and sent fuel prices soaring. Failing to address weaknesses in the economy means the UK will remain vulnerable to each subsequent geopolitical shock.

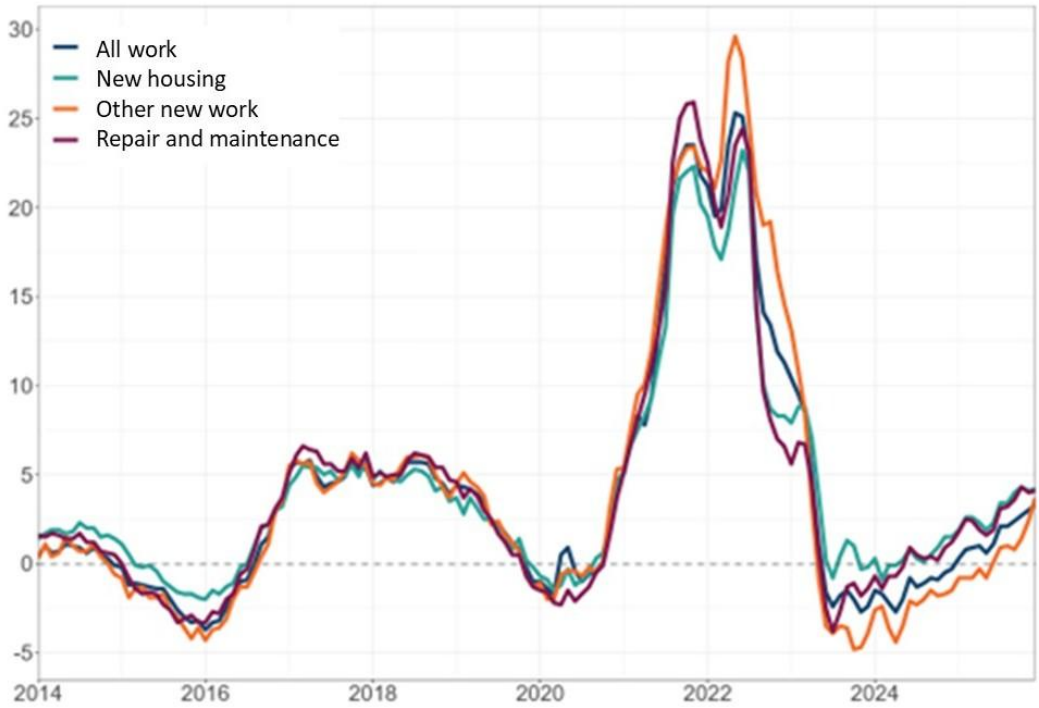
In this briefing, we look at the Iran war's impact on material prices and supply chains for key sectors and materials. These illustrate a pattern across the economy.

Construction

Construction has the largest material footprint in the UK and, as such, is highly exposed to higher material prices. This is especially the case for materials that need fossil fuel for production, which can include the cement needed for concrete, the most commonly used material in the sector, as well

as steel and bricks. Russia's invasion of Ukraine, combined with wider inflation, saw prices in the construction sector rise more than 25 per cent between 2021 and 2022. And they have remained above pre-pandemic levels. Even before the US attack on Iran, inflation was beginning to rise again.

Construction material annual price inflation in the UK[1]



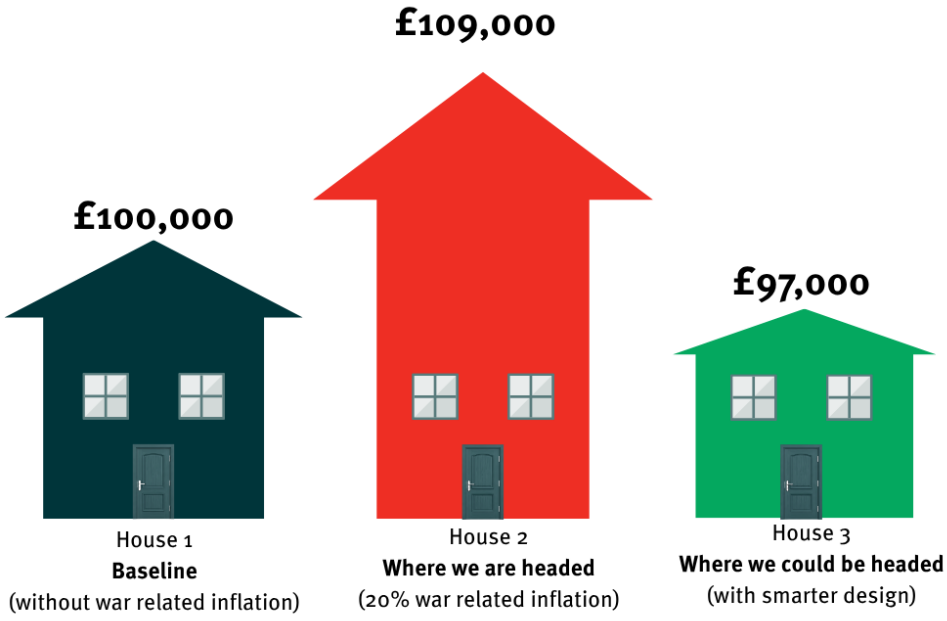
Without a resolution on the horizon, there have been warnings, from several major businesses and industry bodies, that further rises are likely. The Builders Merchants Federation suggests the war could trigger price increases of 20 per cent for some materials.

Our previous analysis has shown there are techniques and technologies available today that can reduce material use in the construction sector. We found that smarter design could reduce material use by 22 per cent which would more than offset the current price surge and be financially beneficial to housebuilders and other construction businesses long into the future.

The cost of building a three bedroom house in England

Before the Iran war, the typical construction cost (including materials and labour, but excluding the cost of land and profit) of a typical three bedroom house in England was £100,000. If material prices increase at the expected 20 per cent rate, that would increase to £109,000. But, if smarter, more resource efficient design approaches were used, these costs could be offset. Techniques available today could reduce the construction to £97,000. This

should support delivery of more affordable housing, helping the government with its housebuilding and cost of living promises.[2]



Some businesses are already considering changing their practices to counter expected higher costs, including Barratt Redrow, which has said it could switch to timber frame construction if prices increase as expected. Barratt Redrow owns a timber company that would enable this flexibility.

The construction industry more broadly suffers from a disjointed supply chain with high levels of risk aversion and habitual practices. Change, including to building standards and planning conditions, will take time. Our research in this area, jointly with industry and academics, suggests government intervention is needed to drive wider, consistent improvement across the industry.

Critical raw materials

Critical raw materials, such as lithium, cobalt and rare earth elements, are economically and strategically important resources with significant supply chain risks.

Before the war in Iran, prices were already rising and increases were expected to accelerate for these materials, and other 'growth' materials like copper, given surging demand in energy and other sectors. These materials are increasingly subject to geopolitical manoeuvres, particularly between the US and China, which dominates many material supply chains.

Demand for the battery material cobalt is expected to increase five fold by 2040, for instance, and demand for nickel is set to double. Over the past

year, the global price of copper has increased nearly a third, the cobalt price has risen by two thirds and the cost of lithium has more than doubled.

Since the war began, interest in clean technologies has surged and the government has remained committed to weaning the UK off volatile fossil fuels through its clean power mission. Other governments, including France and New Zealand, are responding similarly. Amongst UK and EU householders there has been a surge in the purchase of solar panels, heat pumps and electric vehicles (EVs).

This is good news for energy security and affordability and, so far, supply chains are holding up. However, affordable access to critical minerals needed for these installations is not guaranteed long term, and trade restrictions are rapidly increasing. In 2025, 226 import and export restrictions on critical minerals were enacted globally, nearly three times as many as the year before. The International Energy Agency warns that every major energy supply chain contains at least one weak link that could put an entire supply chain at risk.

The UK is over 90 per cent reliant on imports of 32 of the 34 minerals considered critical, leaving it highly exposed to volatile international supply chains. Currently, critical raw materials are imported, usually contained in finished parts and products, then exported again as waste materials before being reimported in new products. Instead, as the government itself recognised in its recent critical minerals strategy, used products should be viewed as a source of critical raw materials equal to geological resources. The UK is wealthy in this regard but does not yet have policy, financial incentives or the infrastructure to ensure products, energy installations and the critical materials they contain are kept in use, repaired, refurbished, reused and recycled in the UK.

Our research shows that, if the UK had embarked in 2021 on economy-wide measures with societal benefits, like energy efficiency and more public transport, demand for some of the minerals needed for the energy system would have fallen by as much as half by 2030. We also found that pairing ambitious energy demand reduction policy with higher reuse, remanufacturing and recycling in the energy sector could make it possible to meet nearly all the UK's critical material needs for the wind, solar and EV industries by deriving secondary materials from those sectors by 2050. However, continuing with the current approach will leave the country heavily exposed to unstable international supply chains for decades to come.

Fertiliser and food waste

The world is heavily reliant on synthetic fertilisers for food production, and a third of global fertiliser transported by sea travels through the Strait of Hormuz. The Gulf region is home to some of the world's largest producers of synthetic fertilisers.

The war in Iran has already caused ammonium nitrate fertiliser prices to rise in the UK by more than 30 per cent and urea fertiliser prices to increase over 40 per cent. Other countries, including some of the world's poorest, are even more exposed to fertiliser price rises and restrictions from the conflict, leading the International Rescue Committee to warn of a "global food security timebomb". In the short term, many countries will only avert disaster if the Strait of Hormuz reopens and remains open.

In the long term, countries including the UK can reduce their exposure to crises by diversifying and improving their fertiliser use, as well as reducing food waste along supply chains to limit the need for production.

The average UK family of four spends over £1,000 a year on food that is then wasted, throwing away 15 per cent of what they purchase. Waste also occurs along supply chains, including on farms and in the hospitality industry. This wastes resources, including fertiliser and land, used to produce food that is never eaten.

Reducing and diverting food waste should be a priority but government policy has so far failed to achieve it. There will always be some unavoidable food waste. As of 1 April 2026, all local authorities in England are required to provide household food waste collections. By 2030, this is expected to more than double the tonnage collected and sent for anaerobic digestion. As well as biogas, these plants produce a digestate with similar properties to synthetic nitrogen fertilisers which could be used by UK farms. As with synthetic nitrogen fertiliser, though, it is not a long term solution to soil fertility and can result in nitrate and ammonia pollution.

In European countries like Italy, it is common to treat this digestate before applying it to land. Drying and composting it can improve its value, both financially and in terms of soil fertility. As well as reducing pollution, composted digestate could increase crop yield by 40 per cent compared to nitrogen fertiliser, according to one study. This could help to free UK farmers from the volatile global synthetic fertiliser market and keep prices down.

Conclusion

The government is rightly devoting energy to addressing the acute crises facing the country and the world, including through diplomatic efforts to end the war in Iran and helping people with the current cost of living crisis at home.

But this cannot be at the expense of continuing with reforms needed to make the economy more resilient long term. Without this, the UK will lurch from one crisis to the next, only ever applying inevitably costly and temporary sticking plaster solutions each time.

If it does not address the underlying structural weaknesses of the wasteful, linear economy, the government will allow volatile material prices and supply chain shocks to continue to dictate conditions, harming businesses and increasing the cost of living, putting the UK's economic security at risk.

The Circular Economy Growth Plan should be the launch platform for a new approach to protecting UK households and industries long term. The transition must begin as soon as possible.

This briefing was produced by Green Alliance as part of our work programme for our Circular Economy Task Force. Members include:

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Endnotes

[1] Source: The Department of Business and Trade's monthly statistics of building materials and components

[2] This is a new indicative calculation based on the potential material reductions identified in Green Alliance's previous report, Circular construction: building for a greener UK economy. It is based on a representative three-bedroom semi-detached selling for £320,000 in February 2026, where the majority of the final selling price is associated with the cost of land. Of the cost of construction, around 45 per cent is associated with material prices, and the rest with labour, machinery and site specific costs. Changes to design would require effort to implement in the first instance, potentially including additional one-off labour costs, and would have to go through the appropriate planning processes, etc.