

COVID-19: Supply Chain Assessment

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For 25 years, Energy Solutions has provided cost effective, market-driven solutions that deliver reliable, large-scale impacts. We currently implement more than 100 upstream and midstream programs across 22 states and Canada for HVAC, foodservice, water heating, pumps, and lighting technologies. During this pandemic, we have been in frequent contact with our global, national, and regional networks of distributors and manufacturers. We are surveying our trade allies to get a current snapshot of the market and inform you of developments and updates to supply chain and market conditions that affect our clients' programs.

Method Review

Our team gathered information across various technology areas and market actors to provide insight on company directives or market observations around the following categories: product availability, equipment sales, service providers/contractor impacts, and administrative impacts.

Findings

Market conditions, overall, appear to be stabilizing as volatility is leveling out and businesses adjust as the pandemic wears on. HVAC and Water Heating are holding steady and are seeing a few opportunities and bright spots. Lighting is recovering. Foodservice, however, continues to be heavily impacted.

1. Product Availability

- a. **HVAC** — A manufacturer representative reported seeing faster turnaround times for custom equipment production.
- b. **Foodservice** — Major manufacturers confirmed a secure supply chain with plenty of stock in quick ship and high demand models. There are slight delays for certain overseas products and some delays in shipping due to staffing inconsistency.
- c. **Water Heating** — A major manufacturer reported 2 out of their 3 plants running at full capacity, with the third plant running at about 50-60% capacity. Lead times for residential water heaters stand at 25 days, which is significantly longer than the typical 8 day lead time.
- d. **Lighting** — No reported impacts related to product sourcing, assembling, and/or delivery.

For these updates, the Trade Ally Team has communicated with the following number of market actors per technology area:

	This Issue	Communications To Date
HVAC	10	72
Foodservice	9	76
Water Heating	2	38
Pumps	3	16
Lighting	2	59
Grand Total	26	261

2. Equipment Sales

- a. **Foodservice** — As an increasing number of restaurants fold and liquidate assets, there is a continuing influx of used equipment into the market. For some restaurants reopening after months of nonoperation, equipment issues have led to opportunities and transactions for ENERGY STAR equipment sales. Dealers continue to report strong interest and demand for freezers to accommodate drive-through and take-out food.
- b. **Water Heating/Pumps** — A distributor reported an uptick in institutional sales from schools and universities — particularly for larger ECM circulator pumps, while commercial sales have been impaired as many commercial buildings are not open.
- c. **Lighting** — Sales for larger state and commercial jobs are increasing. Residential business is lagging as service providers and contractors are still not allowed into homes.

Table 1



Currently, all upstream and midstream programs implemented by Energy Solutions are active.


	Rebates paid in the last four weeks vs. prior year-to-date weekly averages:
HVAC	UP 28%
Foodservice	DOWN 17%
Water Heating/Pumps	No Change
Lighting	DOWN 30%

Table 2

3. Service Providers / Contractors

- HVAC** — Demand for trainings hosted virtually and outdoors has increased as contractors look to optimize staff's time preparing them to work onsite under new public health guidelines.
- Foodservice** — Contractors report that while they have been busy maintaining refrigeration systems in grocery stores, restaurant work has slowed down.
- Water Heating** — Residential service providers confirm work has held steady due to the emergency nature of the business.

4. Administrative / Application Submittal

- Companies are continually evaluating staffing needs and adjusting to align with updated strategies and changing client bases. Rolling furloughs, rotating staff shifts, layoffs, and branch shutdowns have affected staffing resources for program participation. There are multiple reports of application backlogs.
- Distributors are actively looking to rebates and incentives to offset negative impacts to profit and loss statements and gross margins.

Market Insight

HVAC: Multiple manufacturers anticipate increasing demand for airside equipment including rooftop units, air handlers, and economizers as buildings are retrofitted for air quality measures to meet emerging COVID-19 air quality standards.

Disclaimer: The COVID-19 pandemic is a rapidly evolving situation, and this is our best estimate of impacts to forecast, at this time, with the information available. We will be continually updating this forecast and adding details as more information becomes available and the actual impacts of the pandemic on the markets are felt. These updates will be versioned and dated so you can know at what time they apply.

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