COVID-19: Supply Chain Assessment

July 24, 2020 | Vol. 1, Issue 10

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.

Publication Update

As market shifts have stabilized somewhat over the past four months, we are adjusting our publication cadence from biweekly to monthly.

Findings

1. Product Availability

a. **HVAC** — A major manufacturer reported their factories in new COVID-19 hot spots are running at reduced capacity. A HARDI Pulse Survey published July 10th confirms most distributor respondents are experiencing inventory delays of two to three weeks. There is also limited availability for certain parts and equipment such as coils, motors, compressors, and IAQ components.

b. **Foodservice** — Major manufacturers on the hot side of foodservice equipment (e.g. fryers, ovens, etc.) confirmed strong inventory for all sections of equipment including parts and accessories. Dealers on the cold side of foodservice equipment (e.g. refrigerators & freezers) have reported equipment is becoming harder to source. Lead times have increased anywhere from an extra five days to four weeks for even quick ship items. The delay is due to the transportation and warehouse staffing issues resulting from social distancing and health and safety workplace mandates. Increased funding for COVID-19 testing and research is driving demand for ultra-low temperature freezers from lab and medical research facilities.

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	6	78
Foodservice	5	81
Water Heating	3	41
Pumps	1	17
Lighting	2	61
Grand Total	17	278

Table 1

To learn more about Energy Solutions' programs and services contact Jeff Johnston at:
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2. Equipment Sales

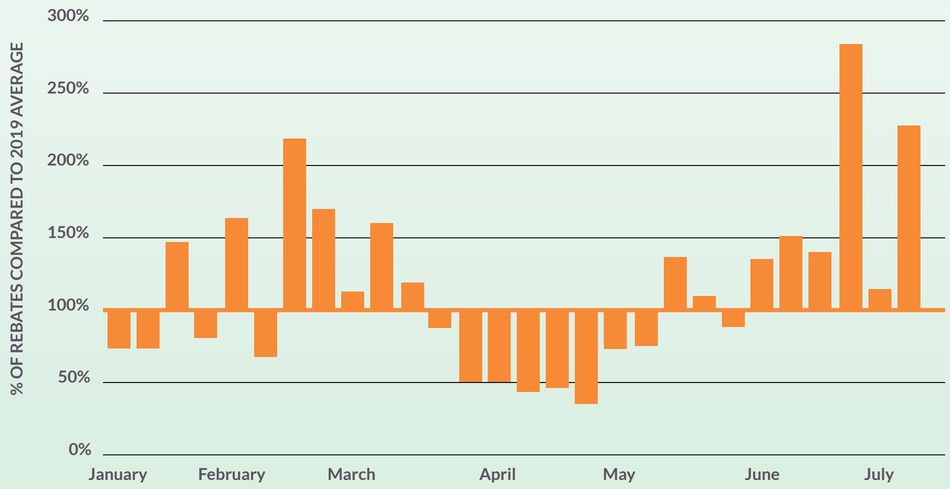
a. **HVAC** — Two national distributors reported that high-efficiency condensing unit sales were picking up as many convenience stores are expanding refrigerated storage space and replacing equipment. The increasing summer temperatures have also translated to strong residential sales.

b. **Water Heating/Pumps** — A provider of water heating equipment and pumping system design reported that sales were finally starting to pick up over the past two weeks, the first improvement since the pandemic started domestically in March.

c. **Lighting** — Distributors report that while the market has not fully recovered, sales are expected to strengthen. They are also continuing to maximize active promotions.

d. **Foodservice** — Despite recent re-closures of indoor dining, equipment sales and associated participation in point-of-sale programs have either held steady or have increased. Dealers remain concerned about impacts from potential shutdowns and restaurant closures.

Foodservice Rebates 2020 Compared to 2019: Weekly Averages



Technology Spotlight

Across the technology areas tracked by Energy Solutions, the impacts of COVID-19 can most clearly be seen in Foodservice. As shown in the chart, rebates paid in the first three months of 2020 on whole were slightly higher than in 2019. The impacts of COVID-19 can be seen in the dip in weekly rebates paid late March carrying through May. Sales started recovering in June and substantially increased in July.

3. Service Providers / Contractors

HVAC — Residential customer demand is high as many people continue to work from home and summer temperatures increase. Many service providers reported they are busy and booked for over two months in advance. Commercial contractors are preparing for an increase in demand from schools to do retrofits and enhanced ventilation and filtration.

4. Administrative / Application Submittal

Across technology areas, evolving pandemic news and return-to-work health and safety guidelines are impacting administrative resources. Some distributors advised they have a backlog of applications that will be submitted once administrative staff return on site.

Market Insight

HVAC: ASHRAE and NYSERDA announced a partnership to help establish a building reopening framework. Governor Cuomo has mandated, as of July 8th, every HVAC system in shopping malls be upfitted with MERV 13 and HEPA filters prior to reopening. There is high interest for rebates to add VFDs to the supply fan to calibrate fan speed to increasing filter loads.

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

Rebates paid in the last four weeks vs. 2020 year-to-date weekly averages:	
HVAC	UP 28%
Foodservice	UP 55%
Water Heating/ Pumps	DOWN 20%
Lighting	DOWN 71%

Table 2

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.