

COVID-19: Supply Chain Assessment



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Across industries, supply chain impacts are noticeably affecting product availability. COVID-19 safety restrictions are limiting production capacity and there is increased demand for raw materials for critical equipment. Additional costs to support workers and safety protocols as well as transportation logistics have translated to fulfillment delays felt at the distributor level. These supply chain impacts are trickling down to service providers and contractors, who are seeing thinner project pipelines compared to this time last year. Amid this ongoing uncertainty, midstream programs continue to support businesses and drive the sales of high-efficiency equipment.

Findings

1. Product Availability

a. **Across Technologies** — Manufacturers report the price of steel is up 45%, triggering product price increases. New steel plants are expected to come online toward the end of 2021 to meet increased demand.

b. **Water Heating** — Manufacturers reported product prices have increased by ~5% in February and are scheduled to increase another 7-9% in March. One major manufacturer reported their lead time is currently 25 days, as plants are running at 50-60% capacity to accommodate COVID-19 distancing guidelines.

c. **HVAC/Water Heating** — A distributor reported significant order fulfillment delays.


d. **Foodservice** — Used equipment continues to flood the market as more restaurants (particularly larger ones) are unable to sustain themselves without indoor dining and are forced to shutter their doors.

e. **Lighting** — A manufacturer confirmed their products have been updated in time for the Design Lights Consortium (DLC) V5.0 updates and have even begun the process to list products as V5.1 to get ahead of the next transition.

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

	This Issue	Communications to Date - Vol. 2
HVAC	7	16
Foodservice	8	26
Water Heating	6	13
Pumps	3	8
Lighting	7	13
Total	31	76

Table 1.



Energy Solutions hosted our second Commercial Market Roundtable on February 10, 2021 where we discussed “Midstream in the Cold Chain: Meeting the COVID-19 Challenge.”

If you'd like information about ultra-low temperature incentives, please reach out to Erin Kempster at ekempster@energy-solution.com. To view the webinar, visit <https://energy-solution.com/how-we-think/>

2. Equipment Sales

- a. **HVAC** — Sales for commercial equipment continue to struggle as many office buildings and places of business remain unoccupied. Residential sales continue to boom.
- b. **Water Heating** — Distributors anticipate demand for heat pump water heaters to grow in 2021. They have remarked that energy code changes and midstream incentives are “changing the market toward heat pump technology and away from standard”.
- c. **Foodservice** — Dealers relay that sales for fryers, convection ovens, and refrigeration have held steady as small to mid-sized coffee shops and cafes continue to open and are leaning into equipment that serves dual functions and/or produces high volume products to boost healthy margins.
- d. **Lighting** — Sales reports reflect a downward trend for tubes as they are mostly used for large projects which have been placed on hold. Sales for troffers, exteriors, high bays, and linear ambient have been doing well with the support of midstream incentives. Multiple distributors have reported a slow but strong start to 2021.
- e. **Pumps** — Distributors have noted that residential water heating equipment and ECM (Electronically Commutated Motor) pump sales have been strong.

3. Service Providers / Contractors

- a. **Across Technologies** — Service Providers and Contractors across technology areas report they are generally staying busy and that projects are in the pipeline, but not as robust as they should be for this time of year.

To learn more about Energy Solutions' programs and services, contact Jeff Johnston at: jjohnston@energy-solution.com | www.energy-solution.com

Disclaimer: The COVID-19 pandemic is an evolving situation, and this report reflects our best estimate of market impacts 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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