

# COVID-19: Supply Chain Assessment

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Persisting supply chain complications have prompted the Biden Administration to intervene. The Port of Los Angeles, one of the busiest in the country, joined its neighbor the Port of Long Beach in round-the-clock operations. With container yards and warehouses at full capacity, this will help address the record number of ships waiting to dock and unload, and ease overall operations logistics to get products through freight. Meanwhile, some retailers are attempting to take matters into their own hands by renting out their own shipping containers and looking for different ports of entry to circumvent delays. The microchip shortage also continues to hold up equipment manufacturing across multiple technologies.

## Findings

### 1. Product Availability

#### a. Across Technologies

Items that aren't stocked normally, having to be ordered, or anything with a microchip, continue to be delayed heavily. Several distributors shared that they've been waiting upward of two months for their products to be offloaded from the ships and transported. Demand is expected to continue to outweigh supply through mid-2022 at minimum.

#### b. HVAC

Manufacturers reported the microchip shortage is heavily impacting production for variable-speed motors and compressors, as it is critical to the controls standard. Price increases continue to be announced, with one manufacturer citing "persistent cost inflation."

#### c. Foodservice

Distributors reported a 20-25% range of price increases across equipment, such as griddles or combi ovens, to reflect the increased price of raw materials such as steel. Stocking issues vary, as some reported the ability to keep fryers in stock while others report a lead time upward of eight weeks.

#### d. Water Heating

The price increases anticipated since our previous Issue (#9) and expected to come before year end, have been announced by all major manufacturers. In addition to the microchip shortage affecting production, limited supply of resin (a material required for water heating product insulation) is affecting both standard efficiency and high-efficiency equipment. Tankless water heaters and boilers continue to be delayed, though lead times vary per manufacturer.

#### e. Pumps

Manufacturers reported demand is "insanely high right now" but there are hold ups with production of ECM pumps due to the microchip shortage.

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	25	194
Foodservice	29	182
Water Heating	14	133
Pumps	15	87
Lighting	14	93
<b>Total</b>	<b>97</b>	<b>689</b>

Table 1.

## 2. Equipment Sales

### a. HVAC

While price increases have been volatile and difficult to navigate, some distributors have found it to be a blessing, as sales are more quickly closed with customers eager to lock in prices rather than risk additional price increases. One distributor relayed that a brand they carried increased prices three times, raising the cost ~20% within 2021. The forecast is that strong sales, particularly residential sales, will continue through the fall and winter heating season. Sales for residential new construction is also up substantially for single family and multifamily in the Pacific Northwest. However, there is uncertainty among distributors regarding stocking given the recent weather events: areas anticipated to be mild received cold fronts (e.g., Texas) and areas anticipating cold received heat waves (e.g., the Pacific Northwest). This has made product demand very difficult to predict.

### b. Lighting

Distributors relayed interest for higher incentives on exterior lighting products and fixtures with controls as well as measure expansion for LED tubes (to include tubes other than Type A).

### c. Life Sciences

Demand and sales remain strong for program eligible lab cold storage equipment in academic and research sectors.

## 3. Service Providers / Contractors

### a. Across Technologies

Project delays continue to compound with longer lead times, shortages of materials, delivery delays, and workforce shortages.

### b. HVAC

Contractors continue to relay difficulty in obtaining equipment, particularly for evaporator coils which remain in short supply.

## 4. Administrative / Application Submittal

### a. Lighting

Contractors reported sourcing issues for PVC pipe. While this does not directly impact lighting measures, sourcing delays affect the timing of lighting fixtures being installed, translating to delays in projects, further delays in claims submissions, and impacts to program inspection rates.

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**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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