



COVID-19: Supply Chain Assessment

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As we transition into Volume 3 of the Supply Chain Assessment and the third year of the pandemic, we remain committed to supporting our market partners in program engagement and offering our clients valuable insights. We invite our readers to submit requests for content they would like to see reported in future issues.

Findings

1. Product Availability

a. Across Technologies

As a result of the COVID-19 Omicron variant's rapid spread, anticipated labor challenges in the global trucking and shipping industries are expected to further disrupt the supply chain. Offers of increased wages have done little to offset fears of infection among drivers and seafarers who face risk during long hauls, especially while crossing into territories with high transmission rates and mandated quarantines. These widespread concerns have increased contract refusals and led to an exodus of transport workers from the industry, compromising the hiring of qualified crews and jeopardizing future retention.

b. HVAC

i. Inflationary pressures continue to drive higher prices at all levels of the supply chain. Citing high material costs, manufacturers announced multiple price increases last year with more anticipated in 2022. Many price hikes became effective this January and have trickled down to contractors, adding to existing challenges of long lead times and unfilled job openings due to ongoing labor shortages. Some contractors have chosen to offset these costs by ordering early and stockpiling products as needed.

ii. Shipment delays persist, as distributors face rooftop unit (RTU) lead times of 20 to 24 weeks for standard efficiency models, with even longer leads anticipated for high efficiency units. A major national manufacturer reported direct expansion (DX) cooling equipment lead times of 18 weeks. These delays have deterred construction jobs and are expected to impact a range of product offerings.

c. Water Heating

A national manufacturer has cited product delivery delays due to congested ports and limited labor. One distributor reports lead times of 8 to 10 weeks for water heaters and boilers while another must wait up to two months to replenish heat pump water heater (HPWH) inventory.

Trade Ally Team
Communications per
Technology Domain

| | This Issue |
|---------------|------------|
| HVAC | 40 |
| Foodservice | 22 |
| Water Heating | 21 |
| Pumps | 11 |
| Lighting | 9 |
| Life Sciences | 9 |
| Total | 112 |

TABLE 1.

d. Foodservice

According to the Manufacturers' Agents Association for the Foodservice Industry (MAFSI), supply and demand remain imbalanced as the pandemic continues to muddle pricing and availability for order fulfillment. Dealers report ovens on backorder since October and fryer lead times ranging from 6 weeks to 6 months. To offset high prices, secure inventory, and circumvent delays, dealers have been ordering in advance or sourcing product from multiple suppliers. Lead times for stainless steel have been manageable for some, though delays for basket, thermostat, and drainpipe products have been stalling production. Even for manufacturers running over 100% production, timelines have been pushed out and representatives are experiencing backlogs for hundreds of units.

e. Lighting

A major manufacturer has announced a price increase due to rising material costs. Meanwhile, distributors have reported issues sourcing fixtures and troffers due to supply shortages.

f. Life Sciences

While some lab equipment manufacturers have been able to stock ultra-low temperature freezers (ULTs), many have quoted lead times of 4 to 10 weeks due to warehouse staffing woes. Additional supply chain issues such as parts shortages have left a major manufacturer delaying the completion of large orders.

2. Equipment Sales

a. HVAC

As residential HVAC market demand remains strong, manufacturers have noticed a growing trend in smart home technology over the course of the pandemic with an increased focus on indoor air quality and energy-efficient systems to support homeowner health and comfort. In response to this upward trend, major manufacturers have introduced HVAC systems that allow automated management and monitoring of heating, cooling, and air quality.

b. Water Heating

For HPWHs, manufacturers and distributors alike have reported cost increases of anywhere from 25% to even 100% in the last year. Despite this, some are seeing recent upward sales trends.

c. Foodservice

Manufacturers and dealers alike have implemented price increases with unprecedented frequency, with one dealer noting an 8% increase effective this month. To manage supply, some manufacturers are prohibiting deals on multiple same-unit purchases and waiting to price units only upon shipment. Despite price increases amid continued supply chain disruptions, MAFSI predicts industry growth of 11.3% in 2022.

d. Pumps

Northeast program changes, as reported in our last issue, have continued to raise concerns around ECM pump sales with predicted drops of 20% to 40% compounded by existing supply chain issues.



e. Lighting

Distributors have been facing price increases across products, with some estimating a 15% jump from last year. The price increases have prompted distributors to revise quotes more frequently. Meanwhile, increasing customization of wattage-selectable products has allowed manufacturers to ensure product output amid supply chain restrictions. One distributor has noted plans to transition all fixtures to wattage-selectable products.

3. Service Providers / Contractors

a. HVAC

Though supply chain issues and extreme weather events have caused freight delays, HVAC contractors have seen sustained opportunities in home improvement. Meanwhile, a 15.1% increase in commercial construction spending compared to January of last year indicates a recovering commercial market and strong future demand for contractors. As labor shortages continue, general sentiment is that ongoing contractor training and mentoring from seasoned technicians will be essential to ensuring quality installations in 2022.

4. Administrative / Application Submittal

a. Across Technologies

Staffing shortages continue to strain rebate claim submittals, but new strategies such as billing system filtering and streamlined reporting processes have emerged to improve qualifying sales submissions. These help to maximize rebate earnings and high efficiency upsells.

About Energy Solutions

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Our program success is fueled by a deep connection to the market. These market relationships have been especially important during the COVID-19 pandemic and have allowed us to closely monitor supply chain impacts to keep you informed.

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

Disclaimer: This report reflects our best estimate of market impacts, with the information available at this time. We will update this forecast continually and add details as more information becomes available and the specific impacts of the pandemic on the markets are felt. These updates will be versioned and dated to indicate at what time they apply.

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