

Supply Chain Assessment

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Although the ports of Los Angeles and Long Beach have seen a dwindling queue of idling vessels, a union dispute in August has delayed West Coast port labor negotiations and is threatening recent improvements. Importers continue to proactively reroute cargo in anticipation of slowdowns, contributing to new congestion at East Coast and Gulf Coast ports. This month, the Port of New York and New Jersey announced a new fee effective September 1 intended to motivate ocean carriers to clear nearly 200,000 empty shipping containers that have accumulated at the complex since the start of the pandemic. Compounding this congestion is a surge of incoming cargo that has crowded terminals and limited storage capacity in recent months, restricting trucker access to shipments for transport.

The Inflation Reduction Act (IRA) was signed into law by President Biden on August 16, representing the largest investment in U.S. climate policy with provisions that support clean energy project deployment and workforce advancement. Energy Solutions is actively assessing forthcoming opportunities and impacts to domain industries, the supply chain, and midstream programs we implement with our clients.

Findings

1. Product Availability

a. HVAC

Manufacturers are preparing for the 2023 Department of Energy (DOE) updated minimum efficiency standards and testing regulations by investing in engineering, materials, and training. The standards take effect on January 1, prompting manufacturers and distributors to more closely manage product inventories to ensure compliance with minimal disturbance to sales. Distributors still report difficulty securing stock for heat pump and mini-split product categories, with backordered timelines since November 2021 and August 2020, respectively.

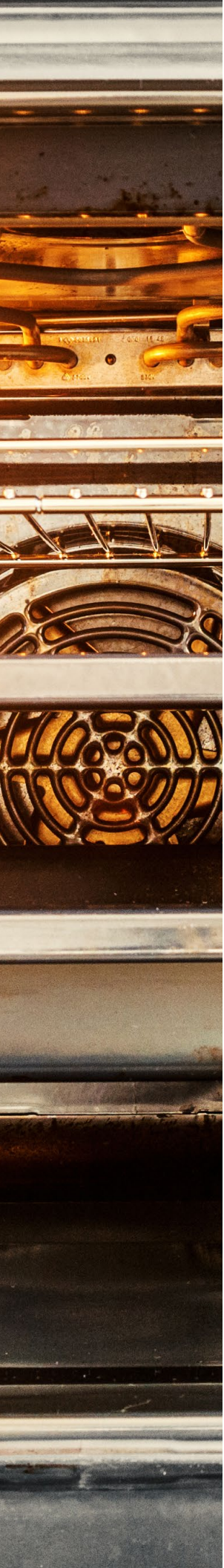
b. Water Heating

A fire at a manufacturing facility has delayed heat pump water heater (HPWH) production, challenging stock for some distributors. HPWH availability is expected to improve as lead times for a major brand currently sit at one month and manufacturers continue to introduce new products.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 3 to Date
HVAC	19	228
Foodservice	26	178
Water Heating	21	146
Pumps	12	79
Lighting	17	118
Life Sciences	8	78
Total	103	827

TABLE 1.



c. Pumps

A manufacturer struggling to meet current demand is prioritizing timely order shipments over making new sales. One manufacturer's representative reported that a limited supply of electrical components has extended lead times for pumps with variable frequency drives (VFDs) from a low of 8 weeks to as many as 18 weeks for some equipment, delaying PEI-rated pump projects by up to five months.

d. Foodservice

- i. While some dealers report adequate stock of equipment like convection ovens, lengthy lead times continue to challenge combination oven and fryer supply for others. Dealers are being quoted delivery ranging from March 2023 to over a year from a major fryer brand.
- ii. By the start of 2023, a national manufacturer of refrigeration and dishwasher equipment plans to open a new Northeast facility to expand production capacity, handle new product launches, and provide educational opportunities for students pursuing work in manufacturing and engineering.

e. Lighting & Electrical

Many manufacturers have fully stocked up to meet heightened demand. Although domestically-manufactured parts are reportedly more difficult to secure than those shipped from China, manufacturers' representatives and distributors are reporting minimal supply chain snags. Despite high shipping costs, one manufacturer has been able to maintain prices at November 2021 levels.

f. Life Sciences

A major ULT manufacturer noted that improvements in production have allowed for order fulfillment in two weeks or less and shorter lead times in delivering equipment.

2. Equipment Sales

a. HVAC

Amid a continued trend of price increases, another major manufacturer will raise commercial equipment prices in September.

b. Foodservice

Dealers report that economic uncertainty, driven by labor shortages and equipment cost increases of up to 25 percent, is prompting customers to prioritize unit repairs over scheduled replacements, impacting sales.

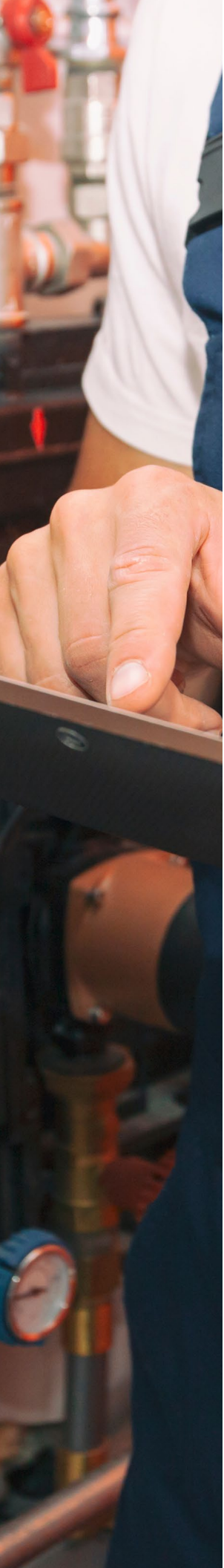
c. Lighting & Electrical

- i. Distributors cite decreased building owner and manager investments in renovations and delayed delivery of fixtures impacting summer sales and project timelines. Some report that significant sales staff turnover has posed an additional challenge.



Policy Spotlight

Energy Solutions partnered with the Clean Cooling Collaborative, VEIC, and Arup to author a report, released July 29, which provides insights to inform policy and program design to reduce greenhouse gas emissions through equitable and expanded heat pump adoption for cooling and heating needs. Report highlights were shared at a *Cooling Down the U.S. with Maximum Heat Pump Adoption* webinar on August 4. [Click here](#) to learn more and download the full report.



- ii. Rising investments by large distribution and switchgear companies in electric vehicle (EV) charging equipment are expected to create new sales opportunities for manufacturers, manufacturers' representatives, and distributors. In response to growing demand, some distributors have started working with manufacturers to stock EV chargers.

3. Service Providers / Contractors

a. Lighting & Electrical

East Coast distributors have observed a rising demand for residential projects. Meanwhile, one distributor attributes fewer new construction projects to limited supply of metal and plastic materials.

4. Administrative / Application Submittal

a. HVAC

Distributors with limited staffing have found success in hiring interns to support and sustain rebate claim submissions and by training others on the process.

About Energy Solutions

For more than 25 years Energy Solutions has provided cost-effective, market-driven solutions that deliver reliable, large-scale impacts. We implement more midstream and upstream programs in North America than any other company, which gives us access to valuable insights across technologies.

Our program success is fueled by a deep connection to the market. These market relationships 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:

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Disclaimer: This report reflects our best estimate of market impacts, with the information available at this time. Energy Solutions will continue to provide valuable reporting on supply chain conditions. These updates will be versioned and dated to indicate at what time they apply.

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