

Rising interest rates in response to inflationary pressures have fueled predictions of a significant U.S. economic slowdown within the next year. Reduced consumer spending has contributed to a decline in shipping costs and 13% fewer U.S. container imports in October, prompting ocean carriers to cancel transports along routes that are typically busiest this time of year. Southern California imports tumbled by 26% amid predictions that carriers will reduce capacity by as much as 20% to the West Coast in Q4, driven by prolonged West Coast labor negotiations. The contract talks, further stalled by an interunion dispute at the Port of Seattle in November, continue to divert cargo to East and Gulf Coast ports and are expected to extend into 2023.

Findings

1. Product Availability

a. HVAC

In preparation for the 2023 Department of Energy (DOE) code changes taking effect January 1, one manufacturer is proactively consolidating product lines to comply with upcoming SEER2 requirements and updating rating nomenclature. Code change impacts are also affecting inventories, challenging distributors as they plan for high efficiency components and equipment in the face of price fluctuations and lengthy lead times.

b. Foodservice

i. Manufacturer backlogs have led to delays of several months for fryers and 20 weeks for commercial combination and convection ovens. Some dealers retain strong inventory of other eligible equipment, with one report of a 50% improvement in lead times for imported refrigeration products.

ii. Two manufacturers have recently launched new eligible fryer models.

c. Lighting & Electrical

A major manufacturer is struggling to bring new products to market due to limited microchip availability. Meanwhile, parking lot LED fixture installations have been impacted by lengthy lead times of 21 to 23 weeks for light poles due to aluminum and steel shortages.

2. Equipment Sales

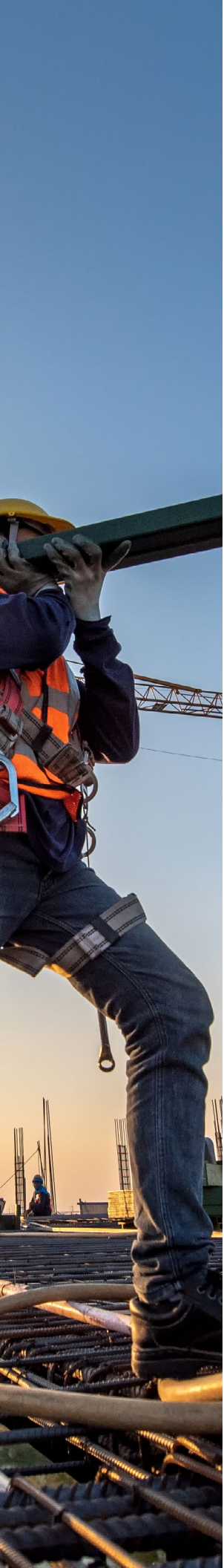
a. HVAC

Labor shortages and extended lead times as long as 60 weeks for high efficiency equipment have pressured some distributors to shift their focus to selling standard efficiency products with shorter delays. Others continue to observe strong heat pump sales supported by available program incentives.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 3 to Date
HVAC	32	320
Foodservice	32	249
Water Heating	26	203
Pumps	17	113
Lighting	24	163
Life Sciences	13	110
Total	144	1,158

TABLE 1.



b. Foodservice

- i. Program incentives, and particularly special short-term promotional incentives, have successfully influenced increased refrigerator and fryer sales in parallel with optimistic sales outlooks for Q4. One dealer who is planning expansion in the Northeast is determining their new locations based on territories that offer rebates.
- ii. The adoption of new appliance efficiency standards prohibiting the sale of certain equipment in Massachusetts has led to the discontinuation of incentives for Tier 1 models of fryers, combination and convection ovens, dishwashers, hot food holding cabinets, and steamers effective January 1, 2023. Dealers are concerned that the new standards will impact sales, and some are adjusting existing orders in preparation for the changes.

c. Lighting & Electrical

Manufacturers report varying growth rates of equipment sales. Despite significant growth observed in Q3, a major manufacturer anticipates that rising economic uncertainties will slow sales while distributors foresee a slowdown in large projects. Meanwhile, industry forecasts predict that price increases will not be implemented in an effort to promote Q4 sales.

d. Life Sciences

Economic uncertainties and heightened construction costs have deterred lab space development in the Northeast, with industry demand settling back to that of pre-pandemic levels. For some, sales remain strong for equipment like biosafety cabinets.

3. Service Providers / Contractors

a. Across Technologies

- i. Commercial contractors reported a year-over-year price decline of nearly 20% for iron and steel but an increase of more than 11% for petroleum and plumbing fixtures and fittings in a national survey conducted by Associated Builders and Contractors (ABC).
- ii. Despite decreased demand for new construction nonresidential projects, the ongoing shortage of skilled workers has left many contractors operating at full capacity. Contractors remain optimistic that sales, profit margins, and staffing will grow over the next six months with project spending supported by government funding.

b. HVAC

A distributor considering the addition of a new air-to-water heat pump product to their line card is concerned about limited training for technicians on the high pressures of a CO₂ refrigerant. To promote growth of a trained contractor base, a major manufacturer has partnered with a skilled labor and education provider to open a training lab for instructors nationwide to become qualified in the service and installation of their equipment.



Program Spotlight

Energy Solutions joined Bradford White, the Environmental Protection Agency (EPA), and ICF as an instructor for AESP's *Get Heat Pumped Up!* webinar on November 1. Attendees learned about HPWH functionalities, steps to create and measure a midstream rebate, how to foster manufacturer relationships for direct access to product distributors and contractors, and how to utilize a partnership with ENERGY STAR® to promote, educate, and evaluate program success through sharing best practices.



c. Water Heating

Energy Solutions' TECH Clean California partnered with the ENERGY STAR® Manufacturers Action Council (ESMAC) to host manufacturer-led trainings for contractors on HPWH equipment basics, installation considerations, and how regulatory changes have driven their popularity. Beginning in late November and scheduled to continue through 2023, trainings are free nationwide with [online enrollment](#).

d. Lighting & Electrical

Following a slowdown in large new construction projects in Q3, a survey conducted by Channel Marketing Group predicts growth in commercial retrofits and education, healthcare, and infrastructure segments in Q4 and beyond.

4. Administrative / Application Submittal

a. Across Technologies

Challenged by strained resources resulting from large staff turnovers, staff sickness, and reallocation to other urgent business needs, many distributors are sourcing additional staff to ensure higher prioritization of end-of-year claim submissions.

From the Field

Energy Solutions presented a segment on midstream program rebates at the 2022 **Future Labs Live USA** conference held from November 15 to 16. Our staff connected with global leading laboratories and sustainability groups to promote program awareness, recruit product vendor participants, and learn about innovative technologies as potential new measures.

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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