



Supply Chain Assessment

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International manufacturing has been impacted by a continued decline in consumer demand, fueled by fears of a global recession due to rising interest rates, inflation, and the ongoing war in Ukraine. Surges of COVID-19 infections, such as in China, have also impacted workforces. There has been a rise in freight booking cancellations at the world's largest ports with U.S. container import volumes tumbling by 19.3% from December 2021 levels, the lowest since June 2020 before pandemic-driven demand sparked an industrial real estate boom in the warehousing market. In 2023, reduced consumer spending has led to a slowdown in company investments in new storage and distribution space.

Findings

1. Product Availability

a. HVAC

Some distributors are expanding their heat pump product offerings to include additional manufacturers due to lengthy lead times for certain brands and an increased customer demand for all-electric equipment.

b. Water Heating

i. A distributor that struggled to receive water heater shipments in 2022 reports improved supply chain conditions and product availability. Lead times for residential heat pump water heaters (HPWHs) and commercial volume and storage water heaters have fallen to four weeks for a major brand.

ii. In May 2023, a manufacturer will launch a commercial tankless HPWH that has a reported 4.2 Coefficient of Performance (COP) and can operate in a cascaded system.

c. Foodservice

Despite an increase in equipment delays of up to threefold since before the pandemic, lead times from certain manufacturers have stabilized and continue to reinvigorate some dealers' stock of fryers and combination ovens. A few manufacturers have lowered lead times to as few as six weeks for fryers, while other manufacturer lead times remain as long as seven months. When faced with longer delays, dealers have broadened their supplier lists and implemented increased transparency to temper customer expectations for delivery times.

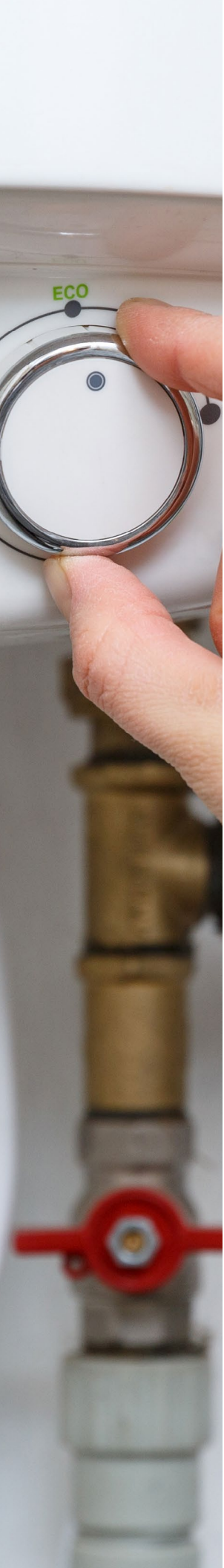
2. Equipment Sales

a. HVAC

Multiple manufacturers increased their commercial equipment prices by as much as 8 percent in January.

Trade Ally Team Communications per Technology Domain

	This Issue
HVAC	28
Foodservice	17
Water Heating	34
Pumps	8
Lighting and Electrical	36
Life Sciences	6
Total	129



b. Water Heating

HPWH manufacturers are creating resources to ensure their distributors are informed about available funding through the Inflation Reduction Act (IRA), in addition to midstream program incentives.

c. Foodservice

- i. A recent trend in manufacturer price increases and limited discounts has frustrated large dealers. Another manufacturer will implement a significant price increase across equipment in March.
- ii. Northeastern dealers look forward to the addition of new measures that include refrigerator and freezer incentives and anticipate increased submissions from spring and summer seasonal sales in 2023.

d. Lighting and Electrical

- i. New Hampshire distributors motivated by program promotions, such as increased incentive offerings on fixture lighting products, significantly bolstered their sales in Q4 2022.
- ii. A Northeastern distributor has continued to expand its regional footprint and residential and commercial market share with new product offerings through multiple acquisitions of electrical distributors within the last year.

e. Life Sciences

- i. A manufacturer anticipates a large sales volume of ultra-low temperature (ULT) freezers driven by a global customer's increased investment in sustainability initiatives involving lab equipment upgrades.
- ii. Major lab equipment manufacturers have identified an opportunity to develop new midstream lab measures, including autoclaves, CO₂ incubators, and biosafety cabinets (BSCs).
- iii. Effective January 1, incentive amounts in California were lowered on qualifying ULT freezer sales. Some manufacturers and distributors were concerned about submitting rebate claims on Q1 2023 sales that were quoted in Q4 2022 using the higher rebate. Energy Solutions worked with participants to submit as many rebate claims as possible prior to an early January deadline. In general, participants reported that the new incentives will continue to drive ULT freezer sales.

Program Spotlight



CalNEXT is a statewide initiative to identify, test, and grow emerging electric technologies and delivery methods to support California investor-owned utility energy efficiency portfolios. In December 2022, Energy Solutions and the CalNEXT team of partner organizations published updated Technology Priority Maps (TPMs). The new TPMs, which highlight CalNEXT's research priorities across six technology categories and 46 technology families, will be used to evaluate prospective project submissions. To view the new TPMs and for more information about the CalNEXT program, please visit calnext.com.

CalNEXT team members will attend the AHR Expo and 2023 ASHRAE Winter Conference, February 4-8. The team will engage with stakeholders interested in emerging technology and take part in educational sessions and the AHR Expo Innovation Awards. To connect with us at this conference, please reach out to info@calnext.com.



3. Service Providers, Contractors

a. Water Heating

Due to higher interest rates deterring new home purchases, a major manufacturer and a distributor predict a significant decline in residential new construction HPWH installations with an increase in multifamily rental projects.

b. Lighting and Electrical

- i. Manufacturers have observed a slowdown in large project spending. Both small and medium and new and renovation construction markets are classified as the busiest market segments, with an anticipated shift toward residential and C&I retrofit projects.
- ii. According to a recent Q4 survey by Channel Marketing Group, over two-thirds of distributors reported impacted project timelines due to delays in product categories such as switchgear.

4. Administrative, Application Submittal

a. Across Technologies

Strained staffing resources continue to impact claims submissions. In addition to training existing staff and seeking new hires to fill dedicated rebate processing roles, major manufacturers and distributors are strategizing ways to promote program awareness and understanding of midstream incentives through increased outreach, additional training and marketing materials, sales team spiffs, and contractor reward offerings to grow submissions in 2023.

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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