

Supply Chain Assessment

May 26, 2023 | Volume 4, Issue 5



As peak importing season rapidly approaches, trans-Pacific shipping costs have surged as several ocean carriers have increased rates to offset declines in pricing that started in mid-2022. Many companies are delaying shipping contract agreements in hopes of locking in lower rates later this year. Sustained inflationary pressures have triggered yet another spike in consumer prices, further driving down domestic import volumes and prompting manufacturers and retailers to scale back overstocked inventories.

On April 26, five of California's largest ports launched the California Port Data Partnership, a data-sharing agreement enabling ports to use a cloud-based system that will bring increased transparency to cargo operations and improve supply chain resilience.

Findings

1. Product Availability

a. HVAC

- i. Many distributors have observed lead times normalizing for heat pump equipment that have generated reports of renewed stock and reduced delays from 50 to 25 weeks for rooftop units (RTUs).
- ii. Major manufacturers are transitioning away from R-410A to A2L refrigerants, such as R-454B and R-32.

b. Water Heating

Distributors report lead times ranging from six to eight weeks for heat pump water heater (HPWH) equipment.

c. Lighting and Electrical

- i. A major manufacturer announced their discontinuation of all fluorescent and high-intensity discharge (HID) lamps by the end of 2023 to achieve an all-LED technology portfolio aimed to reduce their carbon footprint and provide customers with more high-quality, energy-efficient lighting solutions.
- ii. Manufacturers are introducing or upgrading existing product lines for LED outdoor lighting solutions that feature selectable wattages and adjustable correlated color temperature (CCT).

2. Equipment Sales

a. HVAC and Water Heating

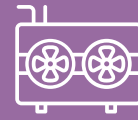
- i. On May 5, a major manufacturer raised prices by as much as six percent across commercial ductless and controls equipment.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	32	178
Foodservice	24	92
Water Heating	21	120
Pumps	12	51
Lighting and Electrical	17	97
Life Sciences	16	52
Total	122	590



- ii. A distributor reports selling nearly half of their stock of a manufacturer's new 50- and 80-gallon HPWH units within only ten days of their launch.
- iii. An increased demand for electric equipment has accounted for an observed shift in sales of gas water heaters, boilers, and furnaces, to electric mini splits and HPWHs. Massachusetts distributors credit their high volume of heat pump sales to program incentives that have allowed them to generate more early retirement and larger unit sales.



Program Spotlight

On April 25, the TECH Clean California contractor incentive program relaunched incentives for heat pump HVAC systems. With over 1,000 enrolled contractors, TECH helps households claim incentives for new heat pump HVAC systems on a first-come, first-served basis. The program's multifamily incentives for heat pump HVAC systems and HPWHs will be available by early June and single-family HPWH incentives will launch later this year. TECH has been allocated \$145 million over the next two years to help accelerate California's heat pump technology market through incentives, workforce training, and consumer education, with at least 40 percent of the funds committed to low-income households and disadvantaged communities.

Visit techcleanca.com to learn more.

b. Foodservice

- i. Dealers report price increases between 9 and 12 percent for rack ovens in 2023.
- ii. With the removal of certain convection oven models from the California program qualified product list (QPL) scheduled to take effect on June 15, some dealers have expressed concern about the resulting impact it will have on eligible sales.
- iii. A California school district expects to invest in combination oven equipment purchases in 2023 and 2024.

c. Lighting and Electrical

In recent surveys by the National Electrical Manufacturers Association (NEMA) comparing market conditions in April 2023 to the prior month, most manufacturer respondents reported worse conditions attributed to cooling demand and significant backlogs. Despite a growing number of outstanding quotes and lengthier quote-to-order periods, sales activity remains high with predictions of improved conditions in the second half of the year.

d. Life Sciences

Some manufacturers report that program incentives have helped sustain customer demand and eligible sales, even in the face of high interest rates and decelerated spending in Q1 that has most notably impacted the California market since the Silicon Valley Bank collapse in March. A national manufacturer quoting large projects in the coming months predicts significant East Coast sales activity in Q3 and Q4.

3. Service Providers, Contractors

a. Across Technologies

A report by Associated Builders and Contractors (ABC) released in May revealed that most contractors plan to expand their staffing over the next six months while demand for nonresidential construction workers continues to exceed supply. In New Hampshire, businesses cite the labor shortage as a main challenge that has stunted economic growth and is expected to impact future operations, hiring plans, and expansion.



b. HVAC

In April, a major manufacturer opened a new distribution and training center in the Northeast. In addition to supporting heat pump shipment activity and streamlining supply chain operations, the facility will train students on residential heat pump and commercial variable refrigerant flow (VRF) system installation and servicing and create new distribution center jobs.

From the Field

The **RestaurantPoint West Annual Conference** was held from May 7 through 10, gathering restaurant chain executives and facility leaders. Energy Solutions hosted a booth to promote the Instant Rebates (IR) brand to chain customers and engaged manufacturers and dealers that were also in attendance on the programs we implement to discuss new pathways for participation.

From May 20 through 23, Energy Solutions attended the **National Restaurant Association Show** to meet with manufacturers, representative groups, dealers, and chain end users. In addition to meeting with manufacturer partners regarding IR program participation, our staff developed new market relationships to establish equipment testing and data opportunities and understand product development priorities for future measure additions.

LightFair, the annual industry event featuring design and commercial lighting solutions, was held from May 21 through 25. In addition to meeting with lighting manufacturers and distributors to drive program awareness and engagement, Energy Solutions partnered with the Northwest Energy Efficiency Alliance (NEEA) and the Department of Energy (DOE) to host an educational session: “Bringing Emerging Lighting Technologies to the Mass Market.”

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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