



Supply Chain Assessment

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In July, the International Longshore and Warehouse Union (ILWU) Canada and the British Columbia Maritime Employers Association reached a tentative four-year agreement after a labor dispute erupted in a union strike, bringing Canada’s West Coast ports to a standstill. The work stoppage fueled concerns of exacerbated inflation and cargo disruptions at Pacific Coast gateways essential for U.S. trade. While such disruptions have posed a risk to operations and lower consumer spending has impacted freight demand, the ocean shipping market appears to be normalizing. Port transit times are declining and the number of cancelled sailings fell below ten percent in June, marking its lowest level since the pandemic began and indicating improved ocean carrier capacity. Meanwhile, air freight carriers are reassessing capacity management strategies as pandemic-driven demand continues to stabilize and efforts to maximize their cargo volumes drive down rates.

Findings

1. Product Availability

a. Across Technologies

i. A new supply chain center in Illinois, designed to connect manufacturers in the state with suppliers nationwide and support supply chain resiliency, opened in June with funding from the CHIPS and Science Act. Since the legislation passed in August 2022 to incentivize domestic microchip production, a chipmaker will construct a new manufacturing center in Colorado to keep pace with rising microchip demand while generating an estimated 600 jobs with operations beginning in 2025.

ii. Some distributors are investing in warehouse expansion strategies to increase regional stocking capabilities and accelerate order deliveries nationwide. After introducing new warehouses in the Central, Northeast, and Southeast regions in 2023 and 2024, a distributor of industrial HVAC, lighting, and electrical equipment has announced plans to open a Pacific Northwest distribution center in 2025. Meanwhile, a HVAC and water heating distributor reports that their acquisition by a major manufacturer has given them access to greater financing and customer credit lines to grow their operations in the Northeast.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	40	252
Foodservice	28	146
Water Heating	33	184
Pumps	20	82
Lighting and Electrical	25	134
Life Sciences	20	86
Total	166	884



b. Foodservice

A manufacturer has relaunched its expedited shipment program with an expanded selection of cooking, holding, and serving equipment amid improving supply chain conditions. Shrinking lead times accompanied by federal funding opportunities are prompting school districts nationwide to invest in energy-efficient kitchen equipment upgrades.

c. Lighting and Electrical

Even as the correlation between order and shipment rates begins to normalize, some manufacturers continue to work through backlogs created by lengthy lead times and price increases in 2022.

2. Equipment Sales

a. Water Heating

Some distributors are stocking more 50- and 80-gallon heat pump water heater (HPWH) equipment due to growing demand supported by program incentives. Other distributors are exploring ways to combat observed sales declines through competitive pricing, brand and customer diversification, and increased rebate promotion for eligible equipment.

b. Pumps

A Massachusetts distributor reports strong commercial sales for electronically commutated motor (ECM) pumps.

c. Foodservice

A Northeastern dealer observes that customers prioritizing cost over brand loyalty are basing their equipment purchasing decisions on the availability of rebates.

d. Lighting and Electrical

Despite lower order rates and sales within the commercial and industrial markets, a leading manufacturer was able to improve sequential and year-over-year profitability in fiscal Q3, complete an acquisition to expand its commercial refrigeration product offerings and customer base, and launch a quick ship program to conveniently offer configurable products for specification needs.

e. Life Sciences

Although high interest rates and normalizing industry demand have continued to challenge the lab cold storage market, manufacturers report stronger sales in regions with available program incentives. Sales are expected to improve in the second half of the year, particularly for academic markets, due to funding opportunities through the National Institutes of Health.

3. Service Providers and Contractors

a. Across Technologies

- i. According to an Associated Builders and Contractors (ABC) survey conducted from late June to early July, contractor respondents reported that after increasing for three consecutive months, the construction backlog is sustained at its highest level in almost two years. Although high interest rates and limited consumer spending continue to challenge new construction activity, contractors remain optimistic that sales, profit margins, and staffing will increase in the second half of the year. One distributor reports a large sales volume of energy recovery ventilator (ERV) systems for new construction multifamily projects.



ii. On July 14, the Biden Administration announced two programs totaling \$20 billion in federal financing through the Inflation Reduction Act's Greenhouse Gas Reduction Fund. The programs will offer competitive grants to states, tribes, and nonprofits investing in clean energy projects, such as installation of residential heat pumps and electric vehicle charging stations, with a focus on low-income and disadvantaged communities.

b. HVAC

- i. A contractor reports high customer demand for air-source heat pump installations, with jobs booked through August.
- ii. To bolster the HVAC/R contractor workforce, a testing equipment manufacturer awarded student scholarships to assist with coverage of post-secondary technology program costs or college tuition.

c. Foodservice

With school kitchens closed for the summer months, some dealers are prioritizing equipment delivery and installation from previous orders and will resume the quoting process for new orders in September.

From the Field

Representatives from Energy Solutions (**TECH Clean California**) and the Building Decarbonization Coalition (**Switch Is On** campaign) hosted a booth in partnership with Pacific Gas and Electric (PG&E) at the **California State Fair** from July 22 through 30. The booth featured residential heat pump and HPWH equipment displays and provided information about associated energy savings, TECH incentives, and trainings offered through [Switch Is On](#).

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: jjohnston@energy-solution.com | energy-solution.com

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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