

Shipping costs have increased for the first time in nearly two years, as spot rates to ship from China to the West Coast rose 61 percent in a six-week period. Still, these costs reflect a year-over-year decline of 66 percent as supply chain conditions improve with steady consumer demand that has helped to renew inventories and stabilize lead times. A similar trend in slowing demand for ground transportation has softened the impact of recent events posing a risk to inland operations, such as climbing diesel prices expected to extend into the fall and a large freight trucking company's shutdown.

Findings

1. Product Availability

a. Across Technologies

- i. A manufacturer's representative for HVAC and water heating equipment has created a working group to identify new hydronic product solutions for large commercial applications that deliver significant energy savings.
- ii. A resurgence of online sales and distributor strategies to maintain large inventories for readily available stock has fueled predictions of increased warehouse construction and demand for automation in 2024 and 2025.

b. Water Heating

Manufacturers are launching plug-in hybrid electric 120-volt heat pump water heaters (HPWHs) available in 66- and 80-gallon sizes. Some distributors are increasing stock of 120-volt HPWHs in anticipation of increased customer demand, citing size and installation advantages compared to traditional HPWHs.

c. Lighting and Electrical

- i. A leading manufacturer will open its largest facility for LED lighting source and luminaire production with operations beginning by the end of 2023. Located in China, the new factory will feature nearly 200 production lines and will sell to global markets. Manufacturers without a diversified network of overseas suppliers report product availability concerns but predict improved stability in Q1 2024 and beyond.
- ii. An international manufacturer of photovoltaic systems will open a new solar cell production facility in Colorado with operations beginning in Q4 2024. The facility is expected to produce 2 GW of solar cells annually with funding from the Inflation Reduction Act (IRA).

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	51	303
Foodservice	34	180
Water Heating	37	221
Pumps	13	95
Lighting and Electrical	18	152
Life Sciences	13	99
Total	166	1,050

d. Life Sciences

Lead times have fallen from eight to six weeks across equipment types.

2. Equipment Sales

a. HVAC and Water Heating

- i. New England distributors are leveraging program incentives to expand eligible sales of packaged terminal heat pump and electronically commutated motor (ECM) pump equipment.
- ii. In New York, manufacturer representatives and distributors report increased HPWH sales and anticipate growth due to state and federal legislation that has led to contractors' expanded focus on upselling HPWH equipment to customers. Forthcoming contractor events and marketing materials promoting rebates for eligible HPWH equipment are expected to bolster sales in the fall.

b. Foodservice

Some dealers report impacted eligible sales for energy-efficient equipment like fryers and convection ovens due to high pricing that is limiting stock levels and deterring customer spending on new purchases.

c. Life Sciences

- i. Following a typical summer slowdown, eligible sales are expected to increase in Q4.
- ii. Despite increased interest rates that have constrained investments, strong demand in the Boston and New York markets continues to drive construction of new laboratory space.

3. Service Providers and Contractors

a. Across Technologies

- i. A new executive order (EO) was signed on July 31 to curb the use of fossil fuels in HVAC, hot water, and cooking systems for the new construction and major renovation of all municipal buildings in Boston, Massachusetts. The EO will take immediate effect and expand access to local workforce development programs, apprenticeships, and training.
- ii. Strong but cooling demand in the U.S. labor market has shifted the focus for many companies from staffing to workforce training and retention. In July, the Conference Board Consumer Confidence Index rose to its highest level since July 2021, indicating improved outlooks for both current and expected labor market conditions despite rising interest rates.

b. HVAC

- i. A manufacturer's representative is seeking more project opportunities to sell water source heat pumps and plans to host contractor trainings beginning in the fall.



Session Spotlight

On September 25, Energy Solutions will attend the Rocky Mountain Utility Exchange to lead utility and government organizations in a workshop session about the Marin Clean Energy (MCE) EV Instant Rebate Program: *Driving Access with MCE EV Instant Rebates – Overcoming the Financial Barriers of EV Adoption for Low Income Customers*. The session will review MCE's program goals to promote equitable access to sustainable transportation and support EV adoption through point-of-sale rebates to eligible customers purchasing or leasing EVs. Session participants will engage in discussions about best practices for delivering an equitable and accessible midstream incentive model.

ii. Distributors are observing a rising trend in high efficiency and electric equipment installations in the new construction and major renovation segments.

c. Water Heating

Manufacturer representatives and distributors are scheduling contractor training events, some in partnership with Energy Solutions, to boost familiarity with HPWH equipment and available program rebates.

From the Field

On August 8, Energy Solutions hosted an **Equipment Experience** event in partnership with the **Restaurant Facility Management Association (RFMA)** at the Southern California Gas Company (SoCalGas) Energy Resource Center. Gathering an audience of national chains and facility directors, the event featured presentations from foodservice equipment manufacturers about cleaning, operations, and maintenance for ice machines, conveyor and combination ovens, fryers, and refrigerators.



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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