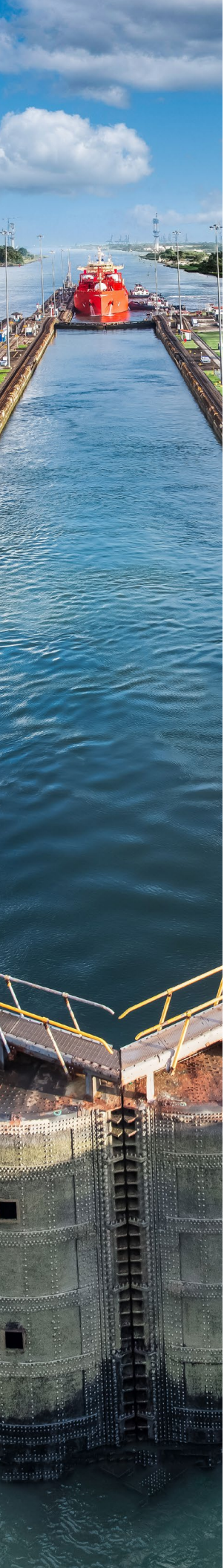


# Supply Chain Assessment

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The Panama Canal, a critical waterway for global trade, is facing a severe drought that has caused water levels to fall to record lows and prompted the canal's authority to extend restrictions on vessel transit and cargo levels. Expected to remain in effect for the next ten months, the restrictions have prompted vessel owners to reduce cargo volumes or find alternate routes to avoid a backlog that exceeded 160 vessels in August. Meanwhile, West Coast dockworkers have ratified a six-year contract, concluding labor negotiations that had begun in May 2022 and led shippers to divert cargo to Gulf Coast and East Coast ports to avoid potential slowdowns. As West Coast ports attempt to restore import volumes arriving at their gateways, retailers are diversifying their cargo routes and investing in new manufacturing facilities to minimize gateway dependency and increase supply chain resilience.

## Findings

### 1. Product Availability

#### a. HVAC

- i. Manufacturers have launched residential air to water heat pumps and commercial high-temperature air source and water source heat pumps.
- ii. A major manufacturer reported they successfully mitigated supply chain risks and improved production capacity for packaged rooftop unit air conditioners by diversifying their equipment component suppliers.
- iii. A contractor in Colorado anticipates that lengthy lead times will delay some shipments of air-cooled chillers until Q3 2024.

#### b. Water Heating

In November 2023, a manufacturer will launch their first residential heat pump water heater (HPWH) available in 50-, 65-, and 80-gallon sizes.

#### c. Foodservice

In California, a dealer reports that a three-week lead time for fryers has delayed them in restocking their store. Meanwhile, some dealers maintain strong inventories of refrigerators, holding cabinets, and pre-rinse spray valves.

#### Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	35	338
Foodservice	35	215
Water Heating	35	256
Pumps	17	112
Lighting and Electrical	15	167
Life Sciences	19	118
<b>Total</b>	<b>156</b>	<b>1,206</b>



**d. Life Sciences**

- i. Lead times have fallen from six to four weeks across equipment types.
- ii. A manufacturer will introduce a new, eligible ultra-low temperature (ULT) freezer model in Q2 2024.

**2. Equipment Sales**

**a. HVAC**

Some distributors report strong commercial sales of heat pump equipment, including variable refrigerant flow units.

**b. Water Heating**

Although some distributors report strong HPWH demand and steady sales, others report that current economic conditions, installation concerns due to size, and service providers resistant to learning about new technologies have been deterrents to new purchases. Distributors are employing strategies to bolster HPWH sales, such as diversifying their contractor networks and offering in-person contractor training.

**c. Foodservice**

New England dealers attribute strong sales of pre-rinse spray valves to program incentives and spiffs. Meanwhile, dealers are hosting discount events to counteract recent slowdowns in sales observed across equipment types.

**d. Lighting and Electrical**

A Northeastern distributor reports leveraging program incentive promotions to bolster September sales of equipment, such as high bay LEDs. Another distributor has hired new staff to increase equipment sales and installations in the Carolinas by the end of 2023.

**e. Life Sciences**

According to JLL's 2023 *Life Sciences Industry and Real Estate Perspective* report, demand for lab space is expected to rebound with new capital investments in the coming months, particularly in Boston and California, where major manufacturers anticipate high volumes of ULT sales by the end of 2023 and in 2024.

**3. Service Providers and Contractors**

**a. Lighting and Electrical**

Distributors report a growing trend in commercial retrofit sales amid a decline in new construction projects. This trend is expected to continue into 2024 and beyond with demand strongest in the hospitality, educational, and healthcare segments.



**Program Spotlight**

On October 3, the Puget Sound Energy, Seattle City Light, and Snohomish County Public Utility District's Pacific Northwest Regional Midstream HVAC and Water Heating Program will host a hybrid HPWH workshop. Contractor and distributor participants will hear from HPWH experts and manufacturers on the latest research, product installation tips, and strategies to maximize HPWH sales revenue. Additionally, attendees will have the opportunity to participate in a roundtable session, interact with NEEA Tier 4, 120-volt, and other HPWH products, and earn continuing education units. Participants can register [here](#) for the event.





## 4. Administrative and Application Submittal

### a. Across Technologies

Challenges with staffing availability and securing required claim information, such as the equipment installation address, have impacted submissions volume and resulted in backlogs of multiple months for some distributors. Those with sufficient staffing resources and improved familiarity with the claim submissions process predict that they will be able to capture more qualifying sales this fall.

## From the Field

The **PRIDE Centric Resources** foodservice buying group held its **Annual Fall Conference** from September 19 to 22. Energy Solutions hosted a table to promote the Instant Rebates (IR) brand, meeting with manufacturers and dealers to discuss QPL testing opportunities and new pathways for participation in the IR programs we implement.

From September 26 to 27, Energy Solutions attended the **2023 DLC Controls Summit: Unlocking the Potential of Networked Lighting Controls** and joined discussions with utility energy efficiency program staff and implementers, controls manufacturers, manufacturer representatives, distributors, and installers. The DLC presented plans to support utility programs with controls measures for small-to-medium buildings, such as through QPLs and related tools. Other discussion topics included strategies to expand the market adoption of networked lighting controls and opportunities for lighting and HVAC controls integrations.

### 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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