



# Supply Chain Assessment

October 30, 2023 | Volume 4, Issue 10



After declining for over a year, some port cargo volumes are resurging. Despite a drop in cargo volumes in September from the month prior, the Port of Los Angeles saw a year-over-year (YoY) increase of 5 percent. Meanwhile, the Port of Long Beach reported its busiest September on record with its first YoY increase in 14 months. Still, strong inventory levels from proactive stocking and a slower rate of growth in consumer spending have fueled predictions that import cargo volumes have already peaked and will taper as the holiday season approaches.

## Findings

### 1. Product Availability

#### a. HVAC

i. In September, the U.S. Climate Alliance, comprised of 25 governors, pledged to deploy 20 million heat pumps for residential installation in their states collectively by 2030. In October, ten global manufacturers signed an agreement to support California’s goal of installing six million heat pumps by 2030. In addition to expanding manufacturing capacity, enhancing efficiency, and incorporating load flexibility, their commitment will create a public-private partnership with the California Energy Commission to facilitate policy and market support for heat pumps.

ii. A major manufacturer’s strategy to produce equipment on demand has delayed shipments and led to lengthy lead times from 12 to 18 weeks for chillers, air handling units, and packaged rooftop units. Meanwhile, a Northeastern distributor reports backordered commercial equipment representing \$19 million due to shortages of blower motors and other components.

#### b. Water Heating

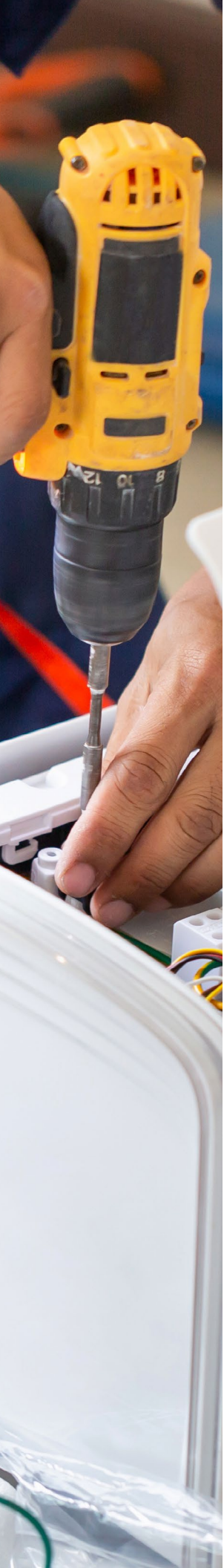
Distributors report lead times of four to six weeks for commercial boilers and water heaters and over eight weeks for heat pump water heater (HPWH) equipment depending on brand.

#### c. Foodservice

Following a growing trend of industry consolidation, a broadline distributor acquired one of the largest U.S. dealers to further expand its product offerings and distribution footprint.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	33	371
Foodservice	10	225
Water Heating	19	275
Pumps	5	117
Lighting and Electrical	15	182
Life Sciences	9	127
<b>Total</b>	<b>91</b>	<b>1,297</b>



## 2. Equipment Sales

### a. HVAC

- i. On October 7, a major manufacturer increased prices up to six percent across commercial applied and unitary equipment.
- ii. A major manufacturer reports that residential midstream programs are positively affecting sales and is prioritizing participation. Some distributors report a similar trend in program incentives increasing sales of packaged terminal heat pumps and delivering record sales increases of 30 percent for variable refrigerant flow heat pump equipment.

### b. Water Heating

As HPWH demand continues to follow an upward trend, a major manufacturer is committed to doubling their production capacity over the next year while supporting contractors with selling and sizing for 120-volt units. Meanwhile, a distributor selling standard electric water heaters looks forward to leveraging program incentives to promote HPWH equipment.

### c. Foodservice

A California dealer reports strong sales of fryer and charbroiler equipment.

### d. Lighting and Electrical

In surveys conducted by the National Electrical Manufacturers Association evaluating market conditions in September 2023, respondents reported concerns of volatile supply chain conditions and excess inventories. Still, many anticipate that infrastructure projects, residential construction, and electric transportation will strengthen market conditions.

### e. Life Sciences

Manufacturers and distributors are leveraging program rebates as a tool to provide a competitive advantage and bolster sales, particularly within Michigan and the Boston area.

## 3. Service Providers and Contractors

### a. Across Technologies

A major manufacturer opened a learning center in the South to provide training opportunities for contractors, wholesalers, specifiers, and engineers to engage with residential and commercial HVAC systems and water heating products. In the Northeast, a distributor opened a flagship training facility to train contractors on three-phase equipment.

### b. HVAC

- i. Manufacturers are hosting webinars for distributors and contractors on A2L refrigerant adoption in anticipation of regulatory and code changes. Topics include installation, servicing, transportation, and storage considerations, and ways to mitigate impacts on inventory.
- ii. Some contractors report that labor shortages have bolstered single-zone ductless mini-split heat pump projects due to these installations being less labor intensive than ducted systems.





### c. Lighting and Electrical

- i. Signed into law on October 7, the Powering Up Californians Act directs the California Public Utilities Commission to set average and maximum target energization time periods for grid connections and upgrades by September 30, 2024. The initiative goal is to speed customer interconnections to the utility grid, support building and vehicle electrification, and accelerate EV adoption.
- ii. Electrical contractors report that product shortages and specification changes have impacted project timelines. Rapid acceleration in lamp restrictions requiring a shift from legacy lamp types to LEDs for existing customers has posed an additional challenge.

## From the Field

From October 1 to 4, the **RestaurantPoint East Annual Conference** gathered chain restaurants, franchisee facility leaders, dealers, and manufacturers. Energy Solutions hosted a booth to engage East Coast chain executives on Instant Rebates (IR) program opportunities, promote the IR brand, provide program updates to manufacturers, and gather feedback for new measures in 2024 and 2025.

The **Future Labs Live USA 2023** event was held from October 4 to 5. Energy Solutions joined the organization My Green Lab and global biopharma company GSK as roundtable panelists to discuss opportunities to incorporate sustainability in lab equipment procurement. Staff also engaged vendors to promote life sciences midstream programs.



## 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](mailto:jjohnston@energy-solution.com) | [energy-solution.com](http://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.

*Confidentiality Notice: This document is confidential and contains proprietary information of Energy Solutions.*