

# Supply Chain Assessment

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The Panama Canal continues to face a severe drought that has reduced water levels to record lows, prompting container ships to circumvent the critical waterway or offload freight to alleviate cargo weight. As restrictions to daily ship crossings and vessel capacity drive up shipping costs, the Panama Canal Authority is auctioning off reserved crossing times to the highest bidder. Reduced traffic at the canal is expected to persist through 2024, with predictions of a continued trend in increased freight costs.

## Findings

### 1. Product Availability

#### a. HVAC

New Buildings Institute hosted a virtual roundtable with leading manufacturers of air source heat pumps to share product updates and recommendations for varying applications, climates, and building types.

#### b. Water Heating

In January 2024, a manufacturer will introduce a 50-gallon electric heat pump water heater (HPWH) before releasing additional 65- and 80-gallon sizes.

#### c. Foodservice

As manufacturers grow their national networks, manufacturers' representatives are expanding their line cards to diversify their product offerings.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 4 To Date
HVAC	34	405
Foodservice	23	248
Water Heating	22	297
Pumps	7	124
Lighting and Electrical	19	201
Life Sciences	8	135
<b>Total</b>	<b>113</b>	<b>1,410</b>

### 2. Equipment Sales

#### a. Across Technologies

In Massachusetts, distributors and contractors are preparing for incentive changes that will no longer support gas equipment starting in Q4 2024. Some distributors are supplementing program incentives with large discounts to sell through gas equipment stock and confirming qualifying efficiency specifications to place eligible orders of heat pumps and HPWHs in 2024.

#### b. HVAC

- i. In January, a major manufacturer will increase prices as much as five percent for some residential equipment. Another manufacturer will raise commercial equipment prices by up to eight percent, citing persistent inflationary pressures.
- ii. A Northeastern distributor anticipates a sizeable order for high efficiency condensing gas furnaces, air conditioning units, and ducted heat pump systems for a large residential installation project that will extend into 2024.



### c. Water Heating

A rise in market demand for HPWH equipment is driving a positive trend in sales. In New York, a distributor shared that one contractor is installing two HPWH units per day, while another reports that their HPWH sales volume has surpassed that of their top-selling gas water heater. Some distributors are upselling HPWHs with favorable installation costs and plan to drive sales into 2024 through contractor counter days promoting program incentives.

### d. Pumps

A Massachusetts distributor is leveraging program incentives to boost residential replacement sales of electronically commutated motor (ECM) equipment.

### e. Foodservice

Program incentive reductions and measure eliminations scheduled to take effect in December and January due to appliance standard changes have prompted concerns among Northeastern dealers that high-efficiency equipment sales will be negatively impacted. Meanwhile, California dealers report modest sales of rack ovens, combination ovens, and fryers. Some expect a rebound in equipment sales due to recent shipments and increased holiday demand.

### f. Lighting and Electrical

i. Manufacturers citing increased material costs will raise prices for select fluorescent and high-intensity discharge ballasts, controls, and luminaires in December and January. Meanwhile, prices will be lowered across various LED lamp categories at the beginning of 2024. A national distributor that has observed a declining trend in price increases due to economic uncertainty and steady material costs is investing in supply chain integration, inventory maintenance, and improved forecasting to bolster market resilience.

ii. In New Hampshire, promotional incentives are enabling increased controls equipment sales for distributors. While one distributor reports that interest rates and unfavorable economic conditions have impacted their sales, another distributor reports high sales volumes of LED wafer lighting fixtures, heat pumps, and EV chargers.

### g. Life Sciences

i. A multinational pharmaceutical company with plans to expand will increase their purchase volume of freezers in 2024 for replacements of less efficient units.

ii. A distributor predicts that laboratory equipment prices will increase in 2024 as current demand continues to follow a steady trend.

## 3. Service Providers and Contractors

### a. Across Technologies

Many contractors in the Boston region predict curbed demand and delayed projects for residential new construction due to high interest rates and construction costs.



## Program Spotlight

On October 31, the TECH Clean California contractor incentive program relaunched single family incentives for HPWHs. Multifamily HPWH incentives will launch early December. Customers are required to enroll in a demand response program and, in some cases, a time-of-use electricity rate. The new \$80.2 million budget will help scale HPWH adoption throughout California, with funding for residential and commercial projects. Fifty percent of residential funding is reserved for low-income households. TECH incentives are available on a first-come, first-served basis for a limited time only. Visit [techcleanca.com](https://techcleanca.com) to learn more.



#### b. HVAC and Pumps

- i. Manufacturers and industry organizations are offering educational webinars, in-person and on-demand courses, and virtual resources on low-GWP refrigerants, ducted systems, and pump systems to enhance contractor knowledge and expand workforce development opportunities.
- ii. In Rhode Island, a HVAC distributor reports that high heat pump demand has booked qualified contractors' availability beyond heating season.

### 4. Administrative and Application Submittal

#### a. HVAC and Water Heating

Limited staff availability, personnel turnover, and difficulty obtaining installation site information at the point of sale have challenged timely claim submissions. One distributor plans to host additional training for counter staff to facilitate midstream participation in 2024.

#### b. Pumps

A manufacturer's representative reports that their acquisition by another company has delayed their claim submissions.

## From the Field

The **2023 Foodservice Equipment Distributors Association (FEDA) Annual Conference** was held from October 24 to 27. Energy Solutions engaged dealers on Instant Rebates (IR) program opportunities and promoted the IR brand through sponsored sessions that provided attendees with market updates, trends, and ideas for innovation.

### 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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