

Editor's Note

In 2023 we had over 1,500 conversations with our market partners who continue to be generous with their observations and insights into overall market conditions. Economic factors such as high interest rates and inflationary pressures are top of mind and have been persistent challenges facing the market this year. From labor disputes to ongoing climate and political issues, nationwide disruptions to port activity continue to reroute cargo.

This year has revealed a growing trend toward electric measures across technology areas, supported by federal funding opportunities and consumer demand. Several manufacturers and government officials have pledged to support the deployment and installation of heat pumps by 2030, as national and state goals increasingly focus on the adoption of clean energy technologies.

We would like to thank our program administrator partners for the continued support in influencing energy savings and reduced climate impacts. We look forward to advancing these mutual goals in 2024.

Findings

1. Product Availability

a. HVAC

i. On November 17, the U.S. Department of Energy announced \$169 million in Inflation Reduction Act funding for projects in 13 states to accelerate the production of electric air-to-air, air-to-water, and geothermal heat pumps, and critical components like compressors and refrigerants. This investment will boost domestic production of heat pumps and other clean energy technologies, with an aim to lower equipment costs.

ii. In January 2024, a distributor in the Pacific Northwest will host events to showcase a manufacturer's new, high-efficiency side discharge heat pump system eligible for midstream program incentives. The unit features inverter technology and offers heating and cooling solutions in spaces with limited installation options.

iii. In partnership with an energy efficiency solutions company, a manufacturer will dedicate its variable refrigerant flow system product as a key component for the development and nationwide deployment of ultra-high-performance technology to replace standard efficiency rooftop unit (RTU) systems.

Trade Ally Team Communications per Technology Domain

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HVAC	43	448
Foodservice	10	258
Water Heating	29	326
Pumps	7	131
Lighting and Electrical	17	218
Life Sciences	11	146
Total	117	1,527



b. Water Heating

A Northeastern distributor preparing to add a major manufacturer to its line card in January has ordered more than 25 truckloads of the brand's water heater equipment, including hybrid heat pump water heaters (HPWHs).

c. Lighting and Electrical

Following an industry trend in partnerships and acquisitions, a major lighting and controls manufacturer will acquire a leading supplier's horticulture luminaire product line in January to expand its offerings to the agriculture market. Amid reports of improved product availability, some distributors note that specific partnership agreements have narrowed manufacturer networks, limited shipments, and exacerbated delays.

2. Equipment Sales

a. HVAC

Manufacturers citing rising refrigerant costs and other inflationary pressures will raise prices by up to ten percent for residential equipment and up to 12 percent for commercial equipment in January and February.

b. Water Heating

A growing trend toward electrification in Massachusetts has resulted in heightened interest in HPWH equipment and prompted distributor concerns that the rise in electric demand will exceed grid capacity, particularly during winter peak usage.

c. Pumps

A Rhode Island distributor looks forward to bolstering their commercial electronically commutated motor (ECM) pump sales by leveraging program incentives in 2024.

d. Foodservice

Following a period of post-pandemic demand and inflation that has impacted quoting activity and equipment sales growth for nine consecutive quarters, the Manufacturers' Agents Association for the Foodservice Industry (MAFSI) reports a trend in shorter lead times and minimal price increases. MAFSI predicts increased customer demand and sales as the industry continues to stabilize in the next year.

e. Lighting and Electrical

A distributor with customers looking to take advantage of increased incentive levels anticipates business to ramp up as the end of the year approaches. Meanwhile, a manufacturer predicts that a slight slowdown in sales will continue in 2024.



Industry Spotlight

From January 20 to 24, the 2024 AHR Expo and ASHRAE Winter Conference will gather manufacturers, manufacturers' representatives, and distributors in the HVAC/R, water heating, and pumps markets. Energy Solutions will attend to promote program awareness, engagement, and enrollment; socialize program and measure updates; discover eligible product offerings; and participate in ASHRAE Technical and Standards Committees.

Program administrators interested in connecting with Energy Solutions at the event are encouraged to reach out to their program manager.



f. Life Sciences

ENERGY STAR® added more than 170 high-performance refrigerator models to their qualified product list that are eligible for midstream program rebates in Wisconsin, Michigan, Massachusetts, New Hampshire, and Rhode Island.

3. Service Providers and Contractors

a. HVAC

In anticipation of federal requirements that will set global warming potential (GWP) limits for refrigerants beginning in 2025, manufacturers are hosting educational webinars on R-32 and R-454B as low-GWP refrigerants and the benefits of installing these systems.

4. Administrative and Application Submittal

a. Across Technologies

Despite staffing challenges that have impacted timely 2023 submissions, distributors are determined to process outstanding claims by the end of the year. In addition to facilitating sales staff training to support future submissions, some distributors are seeking to expand their midstream program participation to additional technology areas in 2024.

From the Field

On December 14, Energy Solutions participated in a webinar hosted by Northeast Energy Efficiency Partnerships for its members: “**Demystifying Mid-Stream HPWH Programs.**” Energy Solutions shared pathways to achieve successful HPWH adoption through midstream programs and best practices to enhance associated energy and carbon emission reduction opportunities. Visit neep.org to view the webinar slides and recording.

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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