

Supply Chain Assessment

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Ongoing vessel attacks in the Red Sea and drought restrictions limiting passage through the critical Suez and Panama Canals have driven up West Coast cargo volumes by an estimated 20 percent by shippers that continue to divert cargo to mitigate potential disruptions. As East Coast ports lose container volumes to the West Coast, US importers are reintroducing transloading as a truck-to-rail or rail-to-truck logistics strategy that was employed at the height of the pandemic to mitigate container backlogs. By distributing smaller freight loads to multiple gateways closer to distribution centers, importers are realizing cost savings amid freight rates estimated to be 52 percent higher than at the end of 2023. In Maryland, the devastating collapse of the Francis Scott Key Bridge has suspended vessel traffic entering and leaving the Port of Baltimore, raising concerns of significant disruptions to national supply chains.

Findings

1. Product Availability

a. Lighting and Electrical

- i. Manufacturers are expanding their footprints and product offerings nationwide, forming nearly 70 partnerships with manufacturer representatives in Q1 and introducing new high efficiency LED high bay and replacement lamp products featuring selectable color temperature settings.
- ii. A leading electrical distributor reports that lead times impacting circuit breakers, load centers, panels, switches, and other equipment have improved by 20 percent since January 2023 and continue to trend downward.

b. Life Sciences

In anticipation of the revised ENERGY STAR® product specification for laboratory grade refrigerators and freezers, a major manufacturer predicts that they will need additional time beyond the Q1 2025 effective date to certify their existing models under the new requirements. Another manufacturer plans to launch new models to meet the updated efficiency standards.

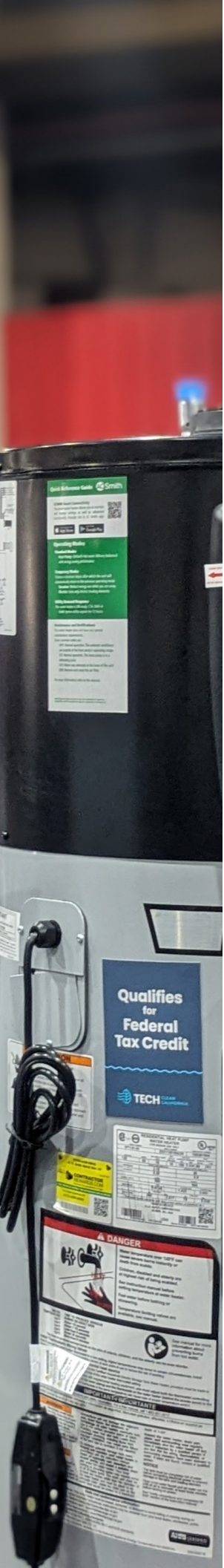
2. Equipment Sales

a. HVAC

- i. A national distributor attributes higher profit margins and greater market share in the Northeast to the availability of incentives for high efficiency equipment, such as condensing units, compared to standard efficiency counterparts. Another distributor reports success in leveraging heat pump incentives to achieve steady sales of both ducted and ductless systems.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 5 To Date
HVAC	25	96
Foodservice	18	59
Water Heating	24	70
Pumps	10	17
Lighting and Electrical	27	41
Life Sciences	13	27
Total	117	310



ii. In Boston, enforcement of city emissions standards for large existing buildings has helped bolster a manufacturer representative's sales of high efficiency commercial equipment, including heat pump chillers.

b. Water Heating

- i. Northeastern manufacturer representatives and distributors are coordinating sales staff and contractor training events to boost familiarity with gas tankless and heat pump water heater (HPWH) equipment, present new products, and promote available midstream program incentives. Some are hosting counter days, introducing summer promotions, or sharing email templates with contractors as additional tactics to bolster eligible sales.
- ii. A distributor is looking to leverage midstream HPWH incentives in New England and New York to achieve high-volume sales of solar-assisted, hybrid split-system HPWHs.

c. Foodservice

Some dealers report that equipment price increases for fryers, broilers, griddles, ice makers, and combi ovens are slowing down the pace of sales as end users delay purchases.

d. Lighting and Electrical

- i. In surveys conducted by the National Electrical Manufacturers Association, respondents rated current market conditions eight percent lower in February compared to January. Citing concerns about rising supply chain disruptions, nine percent more respondents reported that they expect market conditions to worsen in six months. Still, most respondents anticipate improvement with robust Q1 order activity, large data center projects, and a residential market boost in the second half of 2024.
- ii. Distributors in New Hampshire and Massachusetts attribute increased sales to enhanced familiarity with program incentives and an easy-to-use claim submission process. Some distributors plan to continue growing their participation in 2024 by hosting counter days, partnering with manufacturers to market special promotions, and further leveraging incentives to promote integrated controls products like high bays and troffers.

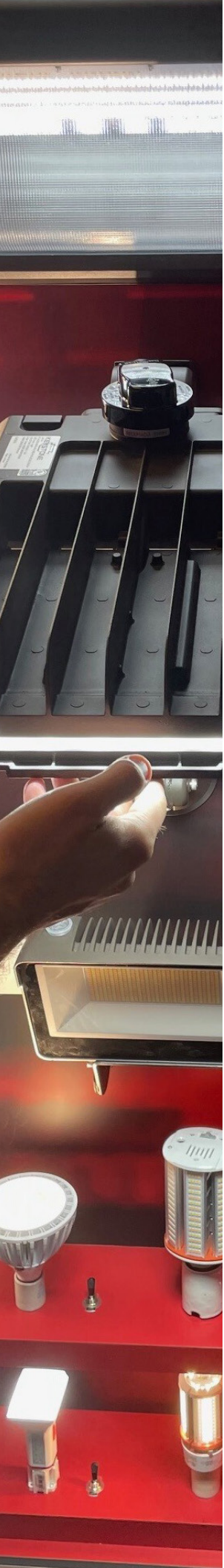
3. Service Providers and Contractors

a. Across Technologies

The City of Boston will invest \$1 million in federal funding to replace gas stoves with electric units and introduce building upgrades to bolster additional electric infrastructure within two affordable housing communities. The city plans to begin installations this summer and will partner with university researchers to assess the pilot program's effectiveness in reducing climate change impacts, health issues, and socioeconomic inequities.

◀ b. Water Heating

On March 9, the Plumbing-Heating-Cooling Contractors Association held their annual Flow Expo trade show. Energy Solutions hosted a TECH Clean California booth in partnership with Frontier Energy and Southern California Edison to promote program incentives, socialize training opportunities, and invite manufacturer exhibitors to present their HPWH products to contractors and technicians. One of these manufacturers will host an additional training in April for service providers to gain familiarity with their hybrid HPWH.



From the Field

The Restaurant Facility Management Association Annual Conference ▶

Association Annual Conference was held from March 17 through 19 and gathered chain restaurant and facility leaders. Energy Solutions collaborated with California Energy Wise and manufacturers to host an Equipment Experience booth to exhibit high efficiency foodservice, water heating, and HVAC equipment. Our staff engaged with manufacturers and dealers to provide information about foodservice



Instant Rebates, water heating, and HVAC program incentives; promote opportunities for increased program participation; and answer questions regarding appliance codes and standards.

- ◀ From March 19 through 20, **LEDucation** gathered more than 10,000 attendees nationwide, including manufacturers and their representatives, distributors, contractors, program administrators, and other lighting professionals. Energy Solutions staff participated in educational sessions and met with manufacturer exhibitors to discover eligible product offerings and promote program awareness.

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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