

A Note to Our Readers

Beginning in 2025, Energy Solutions will be shifting the publication frequency of the Supply Chain Assessment series to every two months. This series was first introduced in March 2020 to keep our utility and program administrator readers apprised of how the energy-efficiency market and programs we implement were being impacted by the COVID-19 pandemic. As supply chain uncertainty has eased and conditions have stabilized, we remain committed to delivering high-value content with key market insights, trends, and forecasts. We thank you for your continued readership and welcome your ongoing feedback.

The International Longshoremen’s Association and United States Maritime Alliance announced a tentative agreement on October 3, ending a three-day strike and resuming East and Gulf Coast port operations. Despite backlogs fueled by the devastating effects of Hurricanes Helene and Milton in the Southeast, long-term disruptions from the strike were minimized by proactive acceleration of shipment timelines. The mitigated impacts to port operations and reduced cargo demand have driven down ocean rates, which have fallen by more than 30 percent from a July peak. However, shippers predict a possible return to increased rates due to seasonal demand and ocean carrier surcharges in November.

Findings

1. Product Availability

a. Across Technologies

On September 17, the US Department of Energy (DOE) awarded over \$38 million in funding for projects that will research and develop high-impact technologies for applications such as lighting and HVAC retrofits that support building decarbonization, resilience, and reduced peak demand.

b. HVAC

- i. Leading manufacturers are redesigning or adding to existing product lines, such as rooftop units and variable refrigerant flow (VRF) systems, and testing new eligible heat pumps and air-cooled chillers for launch in 2025. As part of New York’s Clean Heat for All Challenge, one manufacturer is partnering with state housing and energy authorities to deliver 20,000 cold-climate packaged window heat pumps to multifamily buildings for energy-efficiency retrofits.

Trade Ally Team Communications per Technology Domain

	This Issue	Volume 5 To Date
HVAC	33	401
Foodservice	11	160
Water Heating	27	260
Pumps	14	99
Lighting and Electrical	16	193
Life Sciences	8	105
Clean Transportation	6	64
Total	115	1,282



- ii. Manufacturers are expanding their wholesaler networks to grow their Southeastern distribution footprint and improve customer access to their residential and commercial product offerings. In September, one manufacturer launched a Northeastern division that unifies three leading distributors across nearly 40 branch locations to expedite delivery times and provide a wider selection of products.

c. Life Sciences

The closure of a major manufacturer's production facility caused by Hurricane Helene has impacted their operations in the Midwest and extended equipment lead times.

2. Equipment Sales

a. HVAC

- i. Industry experts indicate that US heat pump sales have slowed due to a four-percent decline in consumer investments since 2022, influenced by inflationary pressures, high interest rates, and lags in construction. Still, experts project that heat pumps will continue to gain a greater share of heating systems overall, accounting for 10 percent more than gas furnaces in 2023.
- ii. Distributors anticipate strong demand for high-efficiency condensing units (HECUs) and evaporator units over the next two years as building owners prepare for refrigeration equipment replacements ahead of the A2L refrigerant transition. In the Northeast, distributors are leveraging midstream rebates as a tool to increase their HECU sales and market share.

b. Water Heating

- i. Since updated state regulations in Massachusetts eliminated natural gas equipment incentives after September 30, some distributors have observed a rise in standard-efficiency purchases and placed high-efficiency gas equipment on clearance to bolster sales.
- ii. Steady demand fueled by midstream program rebates continues to positively impact heat pump water heater (HPWH) sales. One distributor estimates that 99 percent of their HPWH sales are driven by the rebates.

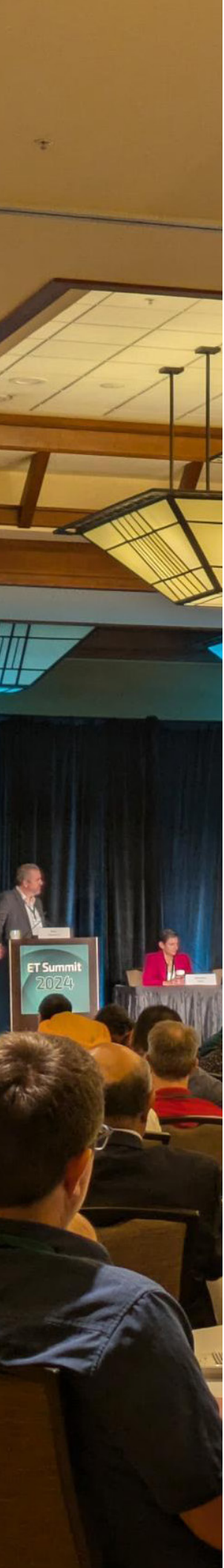
c. Lighting and Electrical

- i. A leading manufacturer will raise prices for certain luminaire and controls products effective December 9.
- ii. In Massachusetts, some distributors report that forthcoming program changes, which will implement requirements for integrated controls in 2025, have driven a spike in sales of non-controlled products such as tubes and troffers.

3. Service Providers and Contractors

a. HVAC and Water Heating

- i. Manufacturers are hosting webinars to help contractors navigate the A2L refrigerant transition, impacts on VRF system installation and servicing, and new product solutions.
- ii. A California contractor's curriculum has qualified for the DOE Energy Skilled badges in Heat Pump Installation and Heat Pump Water Heater Installation. Professionals with this certification are highlighted on a skilled workforce listing, increasing visibility to prospective customers seeking experts.
- iii. In October and November, a Northeastern manufacturer is offering a special promotion to incentivize high-efficiency boiler equipment sales.



4. Administrative and Application Submittal

a. Across Technologies

A manufacturer with staff impacted by Hurricane Helene reports that their October claims submissions were delayed due to loss of internet access.

From the Field

The Energy Transition Coordinating Council hosted their annual **Emerging Technologies (ET) Summit** from October 8 to 9, gathering entrepreneurs, policymakers, and utilities. CalNEXT, California's emerging technology initiative led by Energy Solutions and an expert team of partner organizations, sponsored a table to promote program awareness and attendee dialogue, field questions, and gather program feedback from key industry stakeholders in the ET sector. Additionally, CalNEXT representatives spoke on panels to socialize project findings and pathways to program participation and attended sessions to learn about innovative technologies and strategies.



From October 15 to 16, the **DesignLights Consortium (DLC) Controls Summit: Integration for the Future** gathered utility energy-efficiency program staff and implementers, controls manufacturers and representatives, installers, facility managers, and other industry professionals. Energy Solutions staff joined discussions about integrating networked lighting controls (NLCs) with HVAC systems, savings optimization with NLC installations for various building types, and barriers to end-user adoption.

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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