



# Supply Chain Assessment

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## 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 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 anticipated strike at East and Gulf Coast ports has been averted after the International Longshoremen’s Association and United States Maritime Alliance reached a tentative contract agreement. Meanwhile, shippers are frontloading cargo to mitigate increased costs, risks in rail and truckload logistics, and challenges from lingering labor tensions.

In addition to import tariffs proposed by the new federal administration that have raised supply chain uncertainty, a series of Executive Orders and other actions pose potential implications for federally funded programs, loans, and grants established under the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. Energy Solutions will continue to monitor developments and support market engagement with the programs we implement.

## Findings

### 1. Product Availability

#### a. HVAC

In response to the elimination of fossil fuel incentives and growing demand for high efficiency measures, a major manufacturer has ceased their production of oil furnaces and invested in a multimillion-dollar factory to double rooftop unit manufacturing capacity in 2025.

#### b. Water Heating

Manufacturers are launching new residential and commercial heat pump water heaters (HPWHs) and other products that feature compact design, versatility, and connectivity. As the industry assesses how proposed import tariffs will impact supply chains, a leading manufacturer predicts that their domestic production will provide them with a competitive advantage.

#### c. Life Sciences

Ultra-low temperature (ULT) freezer manufacturers are introducing high efficiency models that feature reduced energy consumption while maintaining wide temperature ranges and large storage capacity.

### Trade Ally Team Communications per Technology Domain

	This Issue
HVAC	67
Foodservice	21
Water Heating	43
Pumps	17
Lighting and Electrical	34
Life Sciences	14
Clean Transportation	9
<b>Total</b>	<b>205</b>



## 2. Equipment Sales

### a. Across Technologies

i. Some distributors report that their heat pump and HPWH year-over-year sales nearly doubled in 2024 compared to 2023. This growth is expected to continue into 2025 supported by midstream program distributor stipends. In the Northwest and Northeast, market actors with sales of packaged terminal air conditioners and single vertical packaged heat pump units state that the development of these measures would help offset high costs and drive adoption.

ii. Due to high demand, distributors are planning sales staff training and contractor events to share 2025 program information and promote available rebates as sales tools.

### b. HVAC

i. Effective January 13, a manufacturer representing multiple brands raised prices by up to five percent for certain residential and commercial equipment, parts, and accessories.

ii. A global manufacturer prioritizing residential sales of their new air-to-water heat pump with R-290 refrigerant was awarded \$400K by the US Department of Energy to install these units in New York multifamily buildings.

### c. Water Heating

i. Despite predicted price increases in 2025 and a seasonal slowdown at the start of the year, a manufacturer anticipates that their HPWH sales will reveal continued growth through 2029.

ii. Distributors and contractors report success in leveraging midstream program incentives to close on more jobs and bolster sales of HPWH and combi boiler equipment.

### d. Foodservice

i. Dealers report that increased customer interest in program rebates bolstered December sales of combi ovens, fryers, hot holding bins, and refrigeration equipment to restaurants, franchises, healthcare facilities, and equipment upgrade projects.

ii. A dealer with nationwide branch locations is strategizing gaining a competitive advantage on the West Coast by meeting rising demand for rebate-eligible electric equipment.

### e. Lighting and Electrical

i. According to a Q4 2024 survey conducted by Channel Marketing Group, sales are projected to increase by more than three percent in Q1 2025. Distributors committed to strengthening their midstream program participation are hiring new sales staff, developing marketing materials, forming new partnerships to expand distribution channels, and promoting branch use of reporting tools to drive more eligible sales.

ii. Since program changes in Massachusetts prompted controls requirements beginning January 1, distributors report a prevailing trend of increased stocking of controlled fixtures, large sales to installation projects, and controls benefits training for contractors.



## Industry Spotlight

From February 8 to 12, the 2025 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

- i. My Green Lab and the International Institute for Sustainable Laboratories launched their annual Freezer Challenge for labs to implement cold storage energy efficiencies. Energy Solutions continues to support this initiative to build greater awareness of midstream program rebates available for eligible equipment upgrades.
- ii. Despite lower quoting activity typically observed in December and January, sales are expected to ramp up in Q1, with the greatest volume originating from ULT and high-performance lab grade freezer sales in Massachusetts, California, Michigan, and Wisconsin.

### 3. Service Providers and Contractors

#### a. HVAC and Water Heating

- i. After federal global warming potential limits took effect on January 1, manufacturers and distributors continue to support their contractor networks with the refrigerant transition by providing training resources on equipment installation and certification requirements.
- ii. Industry predictions indicate that data centers, healthcare, and education will see the greatest growth within the commercial sector in 2025, with increased demand for efficiency upgrades and retrofits in compliance with building codes and regulations. Although high interest rates have delayed homeowner spending on essential equipment services and are likely to offset growth observed in previous years, the residential sector is expected to see increased demand for repairs and remodeling projects.

### 4. Administrative and Application Submittal

#### a. Across Technologies

Distributors are prioritizing submission of backlogged rebate claims for eligible equipment sales from 2024. Those challenged by personnel changes and limited staff availability impacted by end- and start-of-year operations are recruiting new claim submitters. To streamline and bolster claim submissions, program participants are developing internal processes, educational resources, and rebate management portals for contractors to submit required information.

## About Energy Solutions

For 30 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](https://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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