

# Supply Chain Assessment

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Import tariffs have generated significant uncertainty in the market, prompting proactive shifts in production, stocking, and pricing strategies to mitigate supply chain risks and disruptions. As shippers frontload cargo to avoid inflated costs, US port volumes, which saw a year-over-year rise of nearly 11 percent in March, are expected to remain elevated until June. Meanwhile, a six-year labor agreement between the International Longshoremen's Association and United States Maritime Alliance has allayed concerns of another strike at East and Gulf Coast ports after lengthy contract negotiations.

## Findings

### 1. Product Availability

#### a. Across Technologies

Tariffs as high as 25 percent have triggered product availability concerns among manufacturers with production or component sourcing in Mexico, Canada, China, and Korea.

#### b. HVAC and Water Heating

- i. A major manufacturer with operations in Mexico has announced a multimillion-dollar investment in a US factory retrofit to bolster their domestic production of compressor equipment.
- ii. Manufacturers continue to introduce new heat pump products, such as chillers, rooftop units (RTUs), air-to-water heat pumps, and heat pump water heaters (HPWHs), using A2L refrigerants that comply with federal global warming potential (GWP) limits, which took effect on January 1. Manufacturers anticipating the federal administration to lift regulations on propane refrigerants are designing products with R-290, predicting greater demand for this equipment in the next two to three years.

- iii. In California, heat pump and HPWH distributors report that the Los Angeles fires have not impacted their shipments or stocking capabilities.

#### c. Foodservice

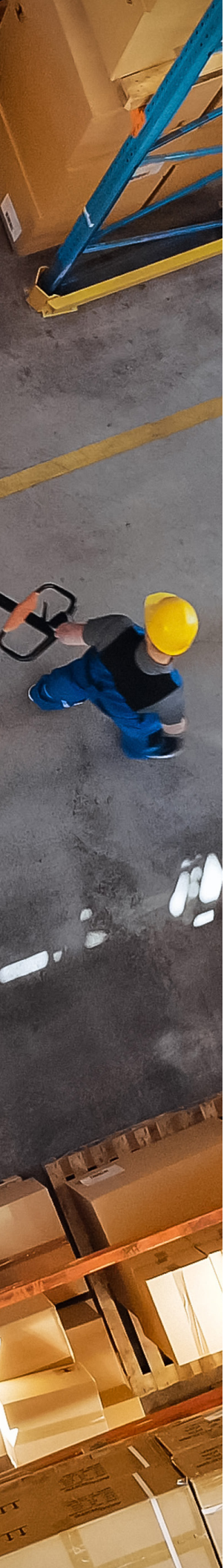
A national manufacturer has announced that they will unite two icemaker equipment brands to operate out of Colorado beginning in mid-2025. The merger will significantly expand manufacturing capacity and shorten lead times through accelerated shipping.

#### d. Lighting and Electrical

- i. Manufacturers are launching lighting controls systems, troffers, high-bay luminaires, and other products with sensor-ready and color-selectable features.
- ii. After opening a new branch location in Wisconsin, a major electrical distributor will consolidate four of their subsidiaries in April to expand their Midwestern distribution footprint.

### Trade Ally Team Communications per Technology Domain

	This Issue	Volume 6 To Date
HVAC	108	175
Foodservice	41	62
Water Heating	64	107
Pumps	19	36
Lighting and Electrical	75	109
Life Sciences	25	39
Clean Transportation	15	24
<b>Total</b>	<b>347</b>	<b>552</b>



## 2. Equipment Sales

### a. HVAC and Water Heating

- i. In anticipation of tariffs and regulatory changes, manufacturers with large-scale operations in Mexico and Canada are raising prices across residential and commercial equipment. Price increases in March and April vary from 2 to more than 20 percent, depending on factors such as domestic production capacity and costly equipment transitions to lower-GWP refrigerants. Some manufacturers predict additional price hikes in the coming months. To mitigate risks from price fluctuations, distributors are limiting quote validity periods and accelerating sales timelines.
- ii. Northeastern distributors report strong sales of heat pumps, energy and heat recovery ventilators, and RTUs. Meanwhile, growing demand for HPWH equipment nationwide resulted in record shipments in January from a leading brand. Distributors are coordinating counter days across their regional branch locations to promote spring sales and rebates.

### b. Pumps

A leading manufacturer's representative reports that residential rebates for electronically commutated motor (ECM) circulator pumps offer a competitive price point that is more effective in driving sales than that of non-ECM counterparts.

### c. Foodservice

- i. Dealers anticipate slower sales activity in 2025 compared to 2024, citing higher costs and decelerated spending due to impacts from tariffs and economic uncertainty. To mitigate these risks, dealers are leveraging rebates to submit competitive project bids and drive more sales of dishwashers, steamers, and other eligible equipment.
- ii. A multiline equipment manufacturer is investing in an experience center and training facility in Texas to provide additional warehousing space and hands-on product support to manufacturers' representatives, dealers, and operators. The facility will feature the company's full range of products and is set to open in the second half of 2025.

### d. Lighting and Electrical

- i. Some manufacturers have raised prices by at least five percent on LED lamps, controls, and other select products, citing unpredictable market conditions and tariffs on imports from China. Others have committed to avoiding price increases by proactively stockpiling inventories and diversifying their international production. In February, a leading manufacturer of bulbs and fixtures announced they would maintain their current pricing through May.
- ii. Since program controls requirements took effect in Massachusetts on January 1, some distributors report that Q1 sales have been tempered by the slow adoption of controls equipment among contractor customers less familiar with the technology. Distributors are streamlining their controlled product offerings, training sales staff, and promoting available program rebates to support contractor adoption and bolster eligible sales for upcoming projects.

### e. Life Sciences

Uncertainty from tariffs and federal funding cuts has led research facilities and universities to delay lab equipment purchases, decelerating Q1 sales. One manufacturer reports that their January and February sales fell short of their targets by more than 50 percent.



### 3. Service Providers and Contractors

#### a. HVAC

Some contractors report high demand for new construction jobs as replacement sales have slowed. However, the industry predicts a growing trend toward repairs as tariff-related price increases contribute to rising costs, making equipment affordability a primary concern for contractors and end-use customers.

### 4. Administrative and Application Submittal

#### a. Across Technologies

Limited staff resourcing due to turnovers amid economic uncertainty has impacted rebate claims submissions across technologies. Distributors are investing in sales and operations team alignment and implementing new accounting platforms and point-of-sale system pop-ups that flag qualifying equipment to bolster program participation.

## From the Field

In February and March, Energy Solutions attended trade show and industry events across technologies to promote engagement in the programs we implement, socialize new measures and program changes, and discover emerging market trends and eligible products. At the **AHR Expo and ASHRAE Winter Conference**, the premier HVAC/R, water heating, and pumps industry event, market conversations revealed a rise in heat pump product innovations, increased use of lower-GWP refrigerants, and uncertainty around federal regulatory changes. At leading foodservice industry events hosted by the **Restaurant Facility Management Association**, the **North American Association of Food Equipment Manufacturers**, and **RestaurantPoint West**, our staff promoted the Instant Rebates brand and participated in equipment demonstrations to identify new measure priorities. At **Pittcon**, we engaged with lab equipment manufacturers expanding their energy-efficient offerings and researchers impacted by federal funding cuts. At **LEDucation**, manufacturer discussions highlighted an industry focus on networked lighting controls and consolidated product lists with increased customization.

### 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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