



Supply Chain Assessment

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Widespread uncertainty fueled by frequent federal policy shifts has continued to permeate all levels of the supply chain, influencing product sourcing and pricing strategies, project timelines, and purchasing decisions. Peak season has arrived early, as many companies frontload cargo ahead of new tariff rates slated for August 1. With inventories secured to last into the fall, US import volumes are predicted to see a sharp decline through November.

Findings

1. Product Availability

a. HVAC

- i. R-454B refrigerant manufacturers are expanding production and distribution to bolster availability amid an ongoing cylinder shortage. Meanwhile, a leading equipment manufacturer is increasing the amount of pre-charged refrigerant in residential ducted splits and partnering with distributors to manage allocations. Some distributors anticipate that R-454B availability will begin to recover in Q3 2025.
- ii. Manufacturers are introducing new heat pump models, relaunching existing product lines with enhanced efficiency and serviceability, and expanding connectivity with controls integration for variable refrigerant flow (VRF) and mini split equipment.

b. Water Heating

Two manufacturers have announced their strategic partnership to deliver an expanded portfolio of high-efficiency residential water heaters to strengthen their North American market share. In Q3 and Q4, major manufacturers will launch heat pump water heaters (HPWHs), including 40- and 50-gallon hybrid models with a convertible 120- or 240-volt configuration and a split-system unit that uses CO₂ refrigerant with cold-climate capacity.

c. Lighting and Electrical

A national distributor with one of the largest electrical wholesaling operations has acquired a leading distributor in the Northeast to grow their regional market presence and diversify their residential and commercial product portfolio.

d. Life Sciences

The ENERGY STAR® Version 2.0 revised product specification for laboratory-grade refrigerators and freezers went into effect June 30, introducing more stringent efficiency requirements that have reduced qualified product listings by nearly 80 percent for high-performance measures. As manufacturers continue to update and recertify their products to comply with the new criteria, qualifying model additions have steadily grown since June.

e. Clean Transportation

Dealers report a decline in their electric vehicle (EV) inventory due to fewer shipments, citing steep tariffs on imported components and the forthcoming elimination of EV federal tax credits.

Trade Ally Team Communications

Technology Domain	This Issue	Volume 6 To Date
HVAC	89	346
Water Heating	57	233
Foodservice	49	169
Pumps	36	100
Lighting and Electrical	41	192
Life Sciences	28	96
Clean Transportation	18	59
Total	318	1,195



2. Equipment Sales

a. Across Technologies

Manufacturers continue to implement price increases across technologies to offset rising material costs, high tariffs, and inflationary pressures.

b. HVAC and Water Heating

High costs and constrained R-454B supply limiting product availability continue to impact purchasing decisions and equipment sales. However, many distributors observe that market uncertainty has softened since the start of the year and report improved sales performance in Q2 compared to Q1. Some heat pump, HPWH, and VRF equipment distributors predict continued growth in the fall as they plan staff training and counter events to promote midstream program rebates.

c. Foodservice

Manufacturers have announced price increases between 5 and 15 percent across product types effective in July and August. Although increased costs have tempered demand, dealers attribute strong sales of electric deck ovens and refrigeration equipment to high-efficiency upgrades and rebates that incentivize eligible equipment purchases.

d. Lighting and Electrical

- i. According to a survey by Channel Marketing Group, average sales grew in Q2 as part of a temporary rebound driven by order acceleration ahead of tariff-related price hikes. Some distributors observe that this heightened activity has begun to neutralize, reporting a slow start to summer sales. Still, industry experts forecast modest sales growth of three percent in Q3 and improved market stability in the next six months.
- ii. In Massachusetts, distributors are hosting sales staff training and leveraging rebates to boost sales and contractor adoption of controlled products that meet 2025 program eligibility requirements.

e. Life Sciences

Despite federal funding cuts that slowed sales in the first half of 2025, demand is expected to pick up in the fall. Manufacturers forecast a rise in sales to the university, biotechnology, and pharmaceutical market segments, attributed to greater investments in research and development, bulk ordering, and program rebates.

3. Service Providers and Contractors

a. HVAC

Manufacturers and contractor associations are partnering with skilled trades organizations to strengthen workforce development through scholarships and mentorship programs; opening training centers to expand sales and technical skills; launching software applications to inform system selection and efficiency upgrades; and offering webinars and online tools to support navigation through the A2L refrigerant transition and R-454B shortage.



Program Spotlight

In June, the quick-service restaurant industry publication QSR Magazine interviewed Energy Solutions about the California Foodservice Instant Rebates (IR) program. Supporting IR marketing and promotional efforts, the feature provides an overview of the program and how it incentivizes high-efficiency commercial equipment sales by offering instant discounts to foodservice operators while contributing to state energy use reduction goals. Read the full article [here](#).



b. Water Heating

New construction project bids specifying HPWH installations are on the rise. Meanwhile, contractors are exploring strategies to target emergency replacements for HPWH upgrades.

c. Foodservice

Dealers report that refrigeration, convection oven, and dishwasher equipment upgrades have accounted for most school project installations this summer.

d. Lighting and Electrical

High interest rates and labor shortages contributing to widespread economic uncertainty have stalled project development in the Northeast and Midwest, despite strong demand within the data center, healthcare, and education sectors.

4. Administrative and Application Submittal

a. Across Technologies

Economic uncertainty and supply chain volatility have prompted a national manufacturer to reevaluate their incentive growth goals for 2025. Challenged by staff turnover and limited resourcing, distributor branches continue to work through backlogged rebate claim submissions for outstanding sales from Q1 and Q2.

From the Field

In June, the [Biotechnology Innovation Organization International Convention](#) gathered life sciences industry leaders, researchers, and investors. Energy Solutions engaged lab equipment exhibitors to promote midstream incentive programs, strengthened relationships with regional trade organizations, and explored new technologies as potential measures. At the [School Nutrition Association's National Conference](#) in July, our staff met with foodservice manufacturers, dealers, and K-12 schools to strengthen existing relationships and create new opportunities by promoting IR program benefits.

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 | 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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