



Supply Chain Assessment

September 26, 2025 | Volume 6, Issue 5

Federal policies continue to disrupt supply chains and generate uncertainty around import tariffs, tax credit availability, and continuation of the ENERGY STAR® program. In preparation for country-specific tariffs that took effect on August 7, cargo frontloading contributed to record port volumes in July and has driven up inventory holding costs. Some shippers are opting for air transport to avoid ocean transit delays and circumvent tariffs. As manufacturers reassess their sourcing strategies for greater adaptability, some are considering additional price increases or nearshoring their operations.

Findings

1. Product Availability

a. HVAC and Water Heating

- i.

Industry trends show a growing focus on acquisitions to expand product portfolios, strengthen distribution networks, and increase regional market share. Companies are also investing in factory expansion to boost domestic production and shorten lead times. In addition, new product launches are targeting both residential and commercial markets, particularly with heat pump technologies using A2L refrigerants and data center cooling solutions such as air handlers and chillers.
- ii.

Strategies are evolving to manage limited supplies of R-454B refrigerant during the ongoing cylinder shortage, with one manufacturer now offering two-week order fulfillment to help customers plan their inventory. As equipment transitions to A2L refrigerants, distributors are prioritizing the sale of existing R-410A equipment and coordinating across branches to address mismatched R-410A and R-454B components. Looking ahead, some industry experts expect both R-454B and R-32 refrigerants to be widely available by the end of the year.

Trade Ally Team Communications

Technology Domain	This Issue	Volume 6 To Date
HVAC	116	462
Water Heating	85	318
Pumps	29	129
Foodservice	50	219
Lighting and Electrical	50	242
Life Sciences	33	129
Clean Transportation	27	86
Total	390	1,585

b. Clean Transportation

Electric vehicle (EV) dealers are scaling their inventory to meet high customer demand that has soared ahead of the federal EV tax credit expiration on September 30. As the deadline approaches, the used EV market has become increasingly competitive and further elevated demand. Although many dealers report minimal delays with EV sourcing, some lead times are up to 30 days, depending on supply.

2. Equipment Sales

a. HVAC

- i.

Citing tariffs and rising raw material costs, manufacturers implemented August price increases ranging from 7 percent for refrigeration equipment to 12 percent for variable refrigerant flow and other heat pump equipment.



- ii. Manufacturers have lowered their residential sales forecasts for the second half of the year, reporting a slowdown as the R-454B shortage persists and economic uncertainty tempers consumer spending. As the industry prepares for the Energy Efficient Home Improvement Credit to sunset at the end of 2025, heat pump sales are expected to ramp up as homeowners look to leverage program incentives in combination with the tax credit before it expires.
- iii. Distributors are leveraging midstream program rebates to drive sales of high-efficiency condensing and evaporator units, rooftop units, energy and heat recovery ventilators, and mini split heat pumps.

b. Water Heating

As manufacturers promote their new heat pump water heater (HPWH) models and available program incentives, distributors have observed HPWH sales growth in the Northeast and Northwest. According to a leading manufacturer's representative, HPWH shipments saw a year-over-year increase of 20 percent in July. Some distributors additionally report strong boiler and gas water heater sales in 2025 and expect continued growth as heating season approaches.

c. Foodservice

- i. According to the Manufacturers' Agents Association for the Foodservice Industry, representatives forecast a sales increase of nearly three percent in Q3 from Q2 2025 but remain cautiously optimistic in the face of tariff uncertainty.
- ii. Some dealers report heightened demand for ice machines and refrigeration equipment in the West due to the summer heat. Dealers are incentivizing high-efficiency fryer, combi oven, dishwasher, and other eligible equipment sales through Instant Rebates promotion and sales team training.

d. Lighting and Electrical

- i. Leading manufacturers' Q2 sales performance exceeded expectations with higher net sales volumes and year-over-year growth. Still, tariffs and ongoing market volatility continue to challenge operations, prompting a top manufacturer to implement their third price increase of 2025.
- ii. Northeastern distributors report that program incentives and promotions have bolstered controlled product demand, despite slow contractor adoption that has impacted summer sales of high and low bay fixtures.

e. Life Sciences

As academic research remains stifled by federal funding cuts, new equipment sales have slowed with increased demand for used equipment. Some manufacturers and distributors predict sales will ramp up in Q4 and into 2026 as they leverage program incentives to secure large-volume quotes.

f. Clean Transportation

Dealers report significant EV sales growth driven by federal tax credit availability and program rebates. While some dealers predict their sales will decline by as much as 20 percent after the tax credit expires, others expect demand to remain steady.

3. Service Providers and Contractors

a. HVAC

Manufacturers are investing in contractor training facilities, educational podcasts, and online workshops to strengthen workforce development, offer hands-on learning, and boost customer engagement.



4. Administrative and Application Submittal

a. Across Technologies

Amid reports of high sales activity, several distributors are facing claim backlogs due to limited staff resourcing and challenges obtaining required installation information.

From the Field

In August, Energy Solutions participated in a utility leadership discussion hosted by **Midwest Energy Efficiency Alliance** about the future of the ENERGY STAR program. Demonstrating deep program and policy expertise, our staff presented on the value that ENERGY STAR delivers to the incentive programs we implement across technologies. Energy Solutions' presentation highlighted ENERGY STAR benefits, including industry alignment through test procedure and specification development, product certification to inform qualified product lists (QPLs), and tools and training to promote the use of ENERGY STAR certified products.

In September, the **2025 Foodservice Equipment Distributors Association (FEDA) Annual Conference** gathered equipment dealers, manufacturers, buying groups, and other market actors. As an event sponsor, Energy Solutions hosted a booth to promote the Instant Rebates programs we implement, engage dealers in program participation, and meet with manufacturers to explore QPL testing opportunities.



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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