

## Editor's Note

As a new year begins, we reflect on the key industry themes and developments that influenced the energy efficiency market and program activity in 2025. Fluctuating federal policies triggered a wave of US import tariffs and widespread uncertainty around funding, regulations, and resources critical to energy savings goals. As manufacturers and distributors introduced sourcing, pricing, and stocking strategies to mitigate disruptions to production and distribution, cargo frontloading and supplier diversification emerged as popular tactics to avoid inflated costs. Despite these efforts, many manufacturers facing higher material and component costs announced multiple price increases across product categories that softened consumer demand and challenged high-efficiency sales.

Over the course of the year, we had more than 1,800 conversations with our trade ally partners that revealed supply chain trends and priorities. Many are expected to continue in 2026, such as increased consolidation in the HVAC, water heating, and electrical markets, investments in data center cooling solutions to meet accelerated AI demand, and expanded training on heat pump and lighting controls technology to comply with updated industry standards and program eligibility requirements.

Content for this series is made possible by the valued relationships we have with our market partners. We thank you for sharing your insights and perspectives, as well as our program administrator clients for your leadership and collaboration in advancing our mutual goals. We look forward to continuing our commitment to driving large-scale energy impacts in 2026!

## Findings

### 1. Product Availability

#### a. Across Technologies

The ENERGY STAR® program has been reorganized by the US Environmental Protection Agency and funded with \$33 million for 2026. The decision follows industry-wide advocacy for the program's continuation after the Trump administration announced plans for its elimination in 2025.

#### b. HVAC and Water Heating

As variable refrigerant flow (VRF), cold-climate, and other heat pump equipment launch in 2026, more HVAC manufacturers are entering the hydronics and domestic hot water markets with air-to-water heat pumps and heat pump water heaters (HPWHs).

#### Trade Ally Team Communications per Technology Domain

	This Issue
HVAC	124
Water Heating	97
Pumps	56
Foodservice	40
Lighting and Electrical	42
Life Sciences	29
Clean Transportation	23
<b>Total</b>	<b>411</b>



### c. Lighting and Electrical

On January 5, DesignLights Consortium (DLC) SSL V6.0 technical requirements introduced controls categories that map product control options to energy efficiency program tiers as well as several new DLC-eligible product categories that create new measure opportunities. Energy Solutions will continue to work with manufacturers to monitor adoption dates and keep program participants informed of anticipated impacts.

## 2. Equipment Sales

### a. HVAC

- i. Manufacturers citing persistent inflationary pressures implemented year-end price increases ranging from 2 to as high as 12 percent. Meanwhile, raw material costs are projected to rise by more than four percent in 2026 amid tariff turbulence that has prompted many manufacturers to delay hiring and large capital expenditures. Those unable to reshore their production to the US are preparing to pass inflated costs on to their customers that will raise prices by upwards of five percent for VRF and other equipment types.
- ii. Sales trends at the close of 2025 revealed a significant year-over-year upswing in the industry's adoption of A2L central ducted systems, with A2L equipment accounting for more than 90 percent of distributor sales in September according to HARDI.
- iii. In the Northeast, some distributors report that the elimination of certain program rebates for gas equipment has contributed to an increase in ineligible sales this season due to existing cold-climate product limitations. Still, overall demand continues to support strong sales of mini split heat pumps and high-efficiency condensing units.

### b. Water Heating

Amid a slowdown in HPWH sales attributed to tariff-driven price increases, leading manufacturers report a steady trend in retail sales in 2025. Expanded sales staff training and program incentives promotion are expected to boost HPWH awareness and adoption into 2026.

### c. Foodservice

- i. According to the Manufacturers' Agents Association for the Foodservice Industry, representatives predict a sales increase of 4.3 percent signaling modest market growth as concerns of tariff disruptions to operations ease in 2026.
- ii. Demand for refrigeration, dishwasher, and oven equipment remains strong. Some dealers report an uptick in school quotes for high-efficiency combi ovens, incentivized by Instant Rebates that are credited for helping offset their high upfront costs.

### d. Lighting and Electrical

In surveys by the National Electrical Manufacturers Association, most respondents report steady business conditions since October and predict growth in the first half of the year. Sales performance impacted by slow controls adoption and limited commercial opportunities in



## Industry Spotlight

From January 31 to February 4, the **2026 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.

Massachusetts has been strengthened by controls product design upgrades and education, as well as large office and lab projects fueled by a seasonal uptick in demand. Strategies to drive sales growth in 2026 include expanding new construction and retrofit market share, increasing sales staff training and education, and promoting midstream program incentives for eligible commercial sales.

**e. Life Sciences**

Despite a challenging sales environment in 2025 attributed to tariffs, the government shutdown, and staff turnover, a surge in order activity since November is expected to carry into 2026 as manufacturers and distributors strategically realign their sales teams to target high-potential markets and leverage competitive pricing with eligible program incentives.

### 3. Service Providers and Contractors

**a. HVAC**

Manufacturers and industry organizations are launching new training centers, live event series, and AI-based applications designed to provide specialized technician support, featuring hands-on learning opportunities and strategies for enhancing business operations and field performance.

**b. Water Heating**

Manufacturers are planning contractor training in the spring to grow HPWH education and qualified installer networks.

### 4. Administrative and Application Submittal

**a. Across Technologies**

Distributors are automating their billing systems to identify qualifying sales and implementing new workflows to ensure timely claim submissions in 2026.



## About Energy Solutions

For more than 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](http://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.

*Confidentiality Notice: This document is confidential and contains proprietary information of Energy Solutions.*

© 2026 Energy Solutions

