



Supply Chain Assessment

May 29, 2026 | Volume 7, Issue 3



Amid global supply chain uncertainty elevated by the war in Iran, US shippers are delaying contract talks to avoid higher rates, fueling predictions of lower import volumes leading into peak season. Rising costs, compounded by April tariff adjustments for steel, aluminum, and copper imports, remain a top concern and contributor to decelerated consumer spending. Manufacturers and distributors are prioritizing supplier relationship management, revised pricing strategies, and investments in operational efficiency to mitigate sales performance risk.

Findings

1. Product Availability

a. HVAC and Water Heating

i. As the heat pump market rapidly evolves, manufacturers are launching new air-to-water and rooftop units and innovating product solutions for hydronic space heating and other high-temperature applications. More manufacturers are adding split system heat pump water heaters (HPWHs) to their portfolios, including one leading producer's commercial unit with CO₂ refrigerant planned for Q3 release.

ii. Growing industry consolidation through strategic acquisitions and regional expansion continues to concentrate revenue for the largest distributors and position small to mid-sized distributors to competitively deliver enhanced product offerings and local expertise.

b. Lighting and Electrical

Controlled products remain an investment priority for manufacturers, prompting a rise in sensor-enabled fixtures, integrated control systems for HVAC applications, and AI-driven building automation for system optimization. Additionally, industry trends reveal an increased focus on product lifecycle management and waste reduction, as manufacturers explore material labeling standards for end-of-life processing and modular designs for component replacement.

c. Clean Transportation

A leading electric vehicle (EV) manufacturer in the global market finalized a multiyear agreement with a high-performance battery supplier to power their next generation of EVs.

2. Equipment Sales

a. HVAC

i. Heat pump manufacturers predict that residential market softness observed in Q1 will continue into 2026. Sales have stagnated amid homeowner affordability concerns due to inflationary pressures; price increases from the A2L refrigerant transition, tariffs, and high interest rates; and elimination of the federal 25C tax credit. Meanwhile, year-over-year growth has been noted for multifamily, commercial, and industrial applications.

Trade Ally Team Communications

Technology Domain	This Issue	Volume 7 To Date
HVAC	84	316
Water Heating	58	231
Pumps	30	112
Foodservice	47	123
Lighting and Electrical	34	120
Life Sciences	24	84
Clean Transportation	15	54
Total	292	1,040



ii. Manufacturers and distributors are launching marketing campaigns and leveraging program incentives to bolster eligible sales of high-efficiency condensing units and heat pumps ahead of a predicted summer surge in cooling season demand.

b. Water Heating

Some manufacturers attribute a slowdown in commercial HPWH and gas water heater sales to shipping issues and government funding changes impacting school and university demand. In contrast, rising demand for split system HPWHs and year-over-year growth in the residential market have contributed to an uptick in sales observed since March.

c. Foodservice

According to the Manufacturers' Agents Association for the Foodservice Industry, representatives forecast modest sales growth in Q2, citing tariff-driven price increases and geopolitical concerns around midterm elections and the war in Iran as factors influencing cautious consumer spending. While weakened demand has impacted high-efficiency sales, dealers in the Northwest and Northeast note increased market stability and project opportunities for Instant Rebates (IR) promotion. Some dealers report strong quoting activity in the school and healthcare sectors for refrigerators, freezers, ice machines, and induction cooktops driven by an uptick in all-electric project demand.

d. Lighting and Electrical

- i. Industry trends signal optimism for stabilizing market conditions and renewed sales growth into 2026, fueled by steady demand for exterior lighting fixtures and investments in controls training to accelerate adoption.
- ii. Manufacturers are mobilizing their sales teams to promote program incentives for LED tubes and other eligible equipment in the West and Southeast. Meanwhile, distributors are hosting regional events and branch competitions to boost Northeastern sales.

e. Life Sciences

Reduced federal research budgets continue to limit new laboratory cold storage equipment purchases, elevating demand for repaired models. Some manufacturers are offering large biotechnology companies price promotions and free inventory assessments of inefficient units to incentivize replacement sales. Despite a challenging funding environment, universities are still seeking replacement project opportunities, including autoclave and biosafety cabinet upgrades in the Midwest.

f. Clean Transportation

California dealers report a sales slowdown similar to Q1 amid ongoing economic uncertainty that has limited new EV purchases and accelerated used car demand.



Session Spotlight

At the 2026 Peak Load Management Alliance Spring Conference, Energy Solutions partnered with Pacific Gas and Electric (PG&E) and Southern California Edison (SCE) to present their Automated Demand Response (ADR) Deemed Expansion Study to the Commercial and Industrial Interest Group. Co-funded by PG&E and SCE, the project was designed to expand building type and measure eligibility for deemed technology incentives for ADR. Through meter data analysis, the project team gauged the stability and consistency of load profiles and customer characteristics of potential new sectors and measures to predict load shed performance. Study findings and recommendations provided to the California Public Utilities Commission are available [here](#).



3. Service Providers and Contractors

a. Across Technologies

Manufacturers and distributors are hosting educational events, opening training facilities, and working with trade schools to boost technical expertise, contractor awareness of utility program incentives, and recruitment of high-efficiency equipment installers.

b. HVAC

Facing increasingly unstable economic conditions, homeowners continue to prioritize equipment repairs over replacements. Some predictions indicate slight improvement in the commercial sector, while multifamily project activity is expected to maintain strong momentum.

c. Lighting and Electrical

Challenged by rising costs slowing new construction demand, project activity is expected to ramp up with increased retrofit opportunities and load demand from data center expansion.

4. Administrative and Application Submittal

a. Across Technologies

Distributors are strengthening their investments in midstream program participation, such as expanded training on claim information requirements, dedicated staff hires, and system updates to efficiently flag qualifying sales.

From the Field

This spring, Energy Solutions attended the largest lighting and foodservice industry events of the year, engaging with more than 50 trade allies to strengthen manufacturer relationships and drive midstream program participation. At **LEDucation**, our staff met with key lighting contacts to promote utility incentives as a sales strategy and socialize new program opportunities. At the **National Restaurant Association Show**, Energy Solutions aligned direct sales opportunities with IR program eligibility and gathered market data to understand product priorities.

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 | 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

