Supply Chain Assessment

July 31, 2026 | Volume 7, Issue 4

Federal trade policies generating concerns of additional tariffs and rising fuel prices driven higher by the war in Iran have prompted shippers to frontload cargo to mitigate increased shipping costs. Peak season has arrived early due to a surge in import volumes, for which major ports have seen year-over-year growth of at least ten percent. As supply chain uncertainty persists, companies are deviating from traditional shipping operations in favor of real-time adaptation strategies that adjust to dynamic market conditions.

Trade Ally Team Communications

Technology Domain	This Issue	Volume 7 To Date
HVAC	135	451
Water Heating	82	313
Pumps	30	142
Foodservice	66	189
Lighting and Electrical	42	162
Life Sciences	28	112
Clean Transportation	15	69
Total	**398**	**1,438**

Findings

1. Product Availability

a. **Across Technologies**

   i. Rising data center project demand and ongoing geopolitical conflict have constrained global supplies of aluminum, copper, and steel, contributing to increased sourcing and manufacturing costs.

   ii. Leading distributors continue to expand their regional capabilities and market share by completing acquisitions in the Northeast and Midwest, opening new warehouses and training facilities, and transitioning branches to dual-trade locations.

b. **HVAC**

   i. In May, the US Environmental Protection Agency lifted the January 1, 2026, installation deadline for residential and light commercial R-410A equipment manufactured or imported before 2025. Some manufacturers, distributors, and contractors have favored the ruling to help deplete remaining inventories of legacy R-410A systems and alleviate uncertainty around installation timelines. However, others have expressed concerns that the change will amplify confusion in the market and counteract costly investments made in transitioning product lines to A2L refrigerants.

   ii. Manufacturers continue to launch new products compatible with R-454B and R-32 refrigerants, including commercial packaged heat pumps featuring up to 10-ton capacities and compact air-handling units designed for new construction and retrofit applications.

c. **Lighting and Electrical**

Effective August 17, updates to the DesignLights Consortium's Networked Lighting Controls Technical Requirements will expand the benefits of connected lighting solutions, including improved interoperability, standardized system configuration, and HVAC integration.

d. **Life Sciences**

Following the ENERGY STAR® Version 2.0 revised product specification release in June 2025, manufacturers continue to introduce qualifying lab-grade refrigerator and freezer models. Product additions in Q3 include high-performance lab-grade freezers that will launch in September.

2. Equipment Sales

a. HVAC and Water Heating

Lagging sales in the first half of the year have been attributed to tariffs, economic uncertainty, and 2025 price increases, a trend that continued in July as several manufacturers raised prices as much as ten percent. While sales remain impacted most notably for residential heat pump water heaters, summer cooling demand and commercial project upgrades have sustained cautious optimism for improvement in Q3. In the Northeast, distributors report that program incentives promotion through marketing efforts and contractor appreciation events hosted with Energy Solutions and manufacturers' representatives has influenced a significant rise in heat pump equipment sales.

Program Spotlight

TECH Clean California, a statewide initiative implemented by Energy Solutions, offers income-qualified rebates for low- to moderate-income households to create equitable pathways that accelerate the adoption of clean heating technologies. Since launching in 2021, TECH Clean California has facilitated heat pump HVAC and water heater upgrades for more than 1,600 mobile home units. To learn more about how TECH Clean California and its enrolled contractors are powering mobile home electrification, check out these articles by KQED and the Association of Energy Services Professionals, or visit techcleanca.com.

b. Pumps

In preparation for new federal minimum efficiency standards that will take effect in May 2028, manufacturers are launching promotional campaigns to accelerate electronically commutated motor (ECM) adoption and drive residential ECM pump sales growth in 2026.

c. Foodservice

i. Some West Coast dealers report sales falling as much as 30 percent behind forecasts but expect improvement this summer with seasonal project demand. Meanwhile, Northeastern dealers leveraging **Instant Rebates (IR)** and special program promotions to push eligible equipment sales report strong and consistent quoting activity for retrofits, resumed expansion projects, and school upgrades.

ii. Many school districts are considering transitioning their combi ovens to convection ovens and steamers due to the rising costs of cleaning chemicals, lengthy lead times for replacement parts, and limited backup options in case of failures.

d. Lighting and Electrical

Slow but steady market conditions continued through Q2. Although tempered by economic uncertainty and limited budgets for large university and lab customers, sales have been sustained by small to medium project demand for data centers, healthcare, and education. Some distributors attribute improved sales volumes and steady quoting activity to increased program incentives and anticipate continued growth through Q4 fueled by seasonal demand.

e. Life Sciences

Federal research funding cuts continue to limit new equipment purchases and contribute to year-over-year sales declines impacting the university and healthcare sectors in the Northwest. In California and the Northeast, some markets are starting to show signs of recovery with qualifying freezer and refrigerator sales supported by program incentives and quotes for large replacement projects.

3. Service Providers and Contractors

a. **HVAC**

   i. As space efficiency becomes a growing concern within multifamily new construction and residential retrofit applications, contractors are prioritizing system integration solutions that use existing ductwork and legacy controls to reduce footprints and construction costs without compromising performance.

   ii. In June, manufacturers and technology corporations announced million-dollar investments in regional and national training centers and programs to bolster the recruitment and retention of HVAC technicians. These initiatives will help meet projected labor demand estimated to produce an annual 40,000 job openings over the next decade.

4. Administrative and Application Submittal

a. **Across Technologies**

   Midstream program incentives are increasingly recognized for the competitive advantage they offer in retaining and attracting new customers. As manufacturers and distributors look to leverage available incentives and special promotions to grow their qualifying sales submissions, several locations are organizing promotional events to boost awareness of rebates and hiring additional staff to reduce barriers to installation data collection.

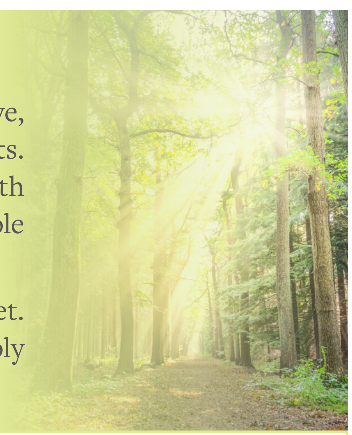
From the Field

From July 12 to 14, Energy Solutions attended the **School Nutrition Association's Annual National Conference** to meet with national foodservice dealers, manufacturers, and K-12 school foodservice directors and personnel. In addition to promoting the IR brand, our staff engaged with dealers, manufacturers, and their representatives to bolster participation among current program participants, solicit feedback, and establish new opportunities. Market conversations revealed school foodservice equipment priorities and positive feedback about IR program impacts that have influenced dealers and schools to promote and purchase eligible energy efficient models.

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.