

El Niño has generated widespread concerns about global weather disruptions, with below-average rainfall prompting reduced transit bookings for Panama Canal passage this fall. As fewer shipping slots lead to longer waits, mounting pressure on operating costs and freight rates has triggered additional carrier surcharges. Since cargo frontloading has become a popular strategy to mitigate ongoing geopolitical risks, major ports continue to prepare for elevated cargo volumes expected to carry into 2027. Faced with rising costs and frequent operational shifts, companies are increasing their investments in artificial intelligence (AI) systems in an effort to reduce costs and inefficiencies during peak season.

Findings

1. Product Availability

a. Across Technologies

Growing investments in cross-selling capabilities have led to increased HVAC and water heating market consolidation as well as greater heat pump representation among electrical equipment producers and wholesalers.

b. HVAC

- i. Leading manufacturers are expanding their high-efficiency portfolios to include R-32 variable refrigerant flow and variable refrigerant volume heat pump and heat recovery systems as well as ventilation equipment models to meet evolving indoor air quality and building standards.
- ii. Manufacturers and distributors continue to announce strategic acquisitions, factory investments, and distribution partnerships to satisfy rapidly growing demand for data center cooling equipment.

c. Water Heating

To address installation barriers and affordability concerns, manufacturers are developing new split-system and demand-response heat pump water heater (HPWH) units as well as customizable software integrations to optimize performance and reduce energy use.

d. Lighting and Electrical

Two of the largest electrical distributors completed their third acquisitions of 2026 in Q3, following a trend in industry consolidation that has continued to generate new partnerships and diversified portfolios. Expanded product offerings include high-performance and configurable lighting solutions with connected control options.

2. Equipment Sales

a. HVAC

- i. Manufacturers implemented additional price increases in Q3 ranging from 5 to 15 percent across product categories.

Trade Ally Team Communications

Technology Domain	This Issue	Volume 7 To Date
HVAC	186	637
Water Heating	136	449
Pumps	41	183
Foodservice	59	248
Lighting and Electrical	66	228
Life Sciences	26	138
Clean Transportation	16	85
Total	530	1,968



ii. Although market reports advise of strong commercial quoting activity and improved residential sales, growing consumer preference for cost-effective repairs suggests greater sales of system components compared to total system replacements.

iii. While heat pump sales are expected to follow a slowing seasonal trend this fall, distributors in the Northeast are leveraging midstream program incentives as a critical tool in closing sales and investing in sales staff training, counter days, and strong contractor relationships.

b. Water Heating

While some distributors report steady sales of commercial gas water heaters and boilers, HPWH sales have seen year-over-year declines attributed to affordability concerns with installation costs. However, growing contractor interest in opportunities with stackable incentives has supported modest sales increases.

c. Pumps

Electronically commutated motor (ECM) pump sales are expected to grow through the fall and winter as manufacturers prepare for 2028 updates to federal minimum efficiency standards and distributors push ECM pump rebates to strengthen their competitive advantage.

d. Foodservice

In the Northeast, summer sales reflected consistent quoting activity of combi ovens and other eligible equipment to upgrade school and grocery chain equipment. However, qualifying equipment sales have not followed this same trend in markets like California and the Northwest, with one dealer reporting multiple branch closures in the past year.

e. Lighting and Electrical

Some manufacturers and distributors anticipate improved margins in Q4 aligned with a seasonal uptick in sales. However, tariff uncertainty, high material costs, and limited budgets deprioritizing retrofit projects continue to pose challenges.

f. Life Sciences

Manufacturers report strong quoting activity and prospective sales to pharmaceutical and biotechnology companies. Instant Rebates (IR) have been credited with enabling widescale replacement projects and many 20+ unit opportunities, with one exceeding 250 ultra-low temperature and high-performance lab grade freezers. An uptick in cold storage sales points to recovery in Northeastern, California, and Midwestern markets heading into Q4.



Session Spotlight

At the 2026 American Council for an Energy-Efficient Economy (ACEEE) Summer Study, Energy Solutions presented 14 sessions to utilities, market actors, government agencies, and other industry professionals. These sessions delivered key findings informed by our deep industry expertise and thought leadership, with topics including:

- Midstream energy efficiency program and evaluation best practices
- Electrification opportunities with strong returns on investment
- Lessons from case studies of combi air-to-water heat pumps
- Performance assessment of integrated thermal storage and heat recovery
- Integrated demand side management with HPWHs
- CalNEXT Focused Pilot findings for high-efficiency rooftop units
- Energy affordability and equity considerations for impacts assessment
- Policies and program pathways for embodied carbon



3. Service Providers and Contractors

a. HVAC

- i. Four companies spanning technology, investment, and retail segments have partnered to launch a skilled trades initiative to fill nationwide workforce needs by expanding training across 30 states. Meanwhile, rising workforce demand has prompted more contractors to broaden their candidate searches into other states for critical role recruitment.
- ii. Rising costs have increased standard and high-efficiency equipment differentials beyond incremental measure cost coverage, shifting consumer demand from high-efficiency to code-minimum units. Although improved A2L refrigerant training and easing cylinder shortages have helped stabilize replacement trends, some contractors are running more promotions to offset high installation costs that continue to fuel homeowners' affordability concerns.

From the Field

In September, Energy Solutions attended industry-leading conferences in foodservice and life sciences. At the [2026 Foodservice Equipment Distributors Association \(FEDA\) Annual Executive Leadership Conference](#), our staff engaged with national equipment dealers and manufacturers, buying groups, and other market actors to promote the IR program brand, understand participation barriers, and discuss qualified product testing and rebate training opportunities. Conversations revealed concerns about high shipping costs that are contributing to unpredictable market conditions and increased interest in AI integration.

At the [2026 International Institute for Sustainable Labs \(I2SL\) Annual Conference and Technology Fair](#), sessions focused on energy savings from optimized lab ventilation systems and campus-wide electrification projects. Energy Solutions met with university sustainability and procurement teams, pharmaceutical equipment manufacturers, and translational research incubators to promote the benefits of IR program opportunities for high-efficiency cold storage equipment.

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.

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