



# TREYA partners

## **HVAC Industry Supply Chain Update:**

What's going on with R-454B and what can we do about it?

**If you work with the HVAC industry like we at Treya Partners do, chances are, you've heard the noise about R-454B, a specific and high demand refrigerant that is in short supply. Here's what's going on and what you can do about it (Treya can help)!**

## REGULATORY DRIVER

New federal regulations are requiring most HVAC OEMs to transition away from refrigerant R-410A to a more eco-friendly refrigerant —R-454B— starting in 2025. This change has caused disruption in the HVAC industry due to rapid implementation of the new regulations and limited supply of R-454B.

## CURRENT MARKET DISRUPTION

Most major HVAC OEMs (e.g. Trane, Carrier, Lennox) have standardized on R-454B, but both the refrigerant itself and the specialized cylinders required for transporting it (due to its flammability rating) are in short supply.

Supply of R-454B may be constrained for much of 2025. R454B is largely imported from China and Europe, and the specialized containers it is transported in are produced in China, Europe, and Mexico. 10+ week back orders are reported for R-454B in some regions and some suppliers are rationing inventory. 42% price surcharges have been seen (e.g. Honeywell) to offset import challenges. Limited U.S. production and an abrupt regulatory transition are key drivers of this situation.

Notably, Daikin is the outlier HVAC OEM, which uses an eco-friendly refrigerant in its systems called R-32 (only Daikin's equipment is capable of supporting R-32) and currently has no supply issues.

## CAN YOU STILL OPTIMIZE HVAC OEM REBATE PROGRAMS IN THIS ENVIRONMENT? **YES!**

Our team recently secured an attractive program from Daikin for a client that will make a meaningful financial impact to the business. HVAC installers are often loyal to certain OEMs, and the current situation has created an environment where Daikin has a unique opportunity to take market share away from its competitors – not just as a near-term, stop-gap measure – but long-term, by offering compelling rebate programs at a time where installers who would otherwise not consider driving new business to Daikin are open to it.

In parallel, we are finding that OEMs that are directly impacted by the R-454B shortage are offering desirable rebate programs to private equity-backed HVAC installation platforms with the goal of securing business long-term (even though they may struggle to meet near-term availability needs).

## TREYA'S R-454B RISK MITIGATION EFFORTS

In parallel with developing best-in-class OEM rebate programs and front-end pricing for our HVAC clients, we at Treya are also supporting our HVAC clients with near-term risk mitigation related to the R-454B shortage. We're actively identifying and benchmarking available R-454B sources across HVAC distributors to prevent price gouging and supply delays for our HVAC clients.

We're also engaging with OEMs to develop forecasts for our HVAC clients to provide better projections in the face of today's refrigerant and equipment inventory availability challenges.

## NEED HELP NAVIGATING THIS ENVIRONMENT? **TREYA CAN ASSIST.**

Treya Partners is actively supporting multiple private equity-backed HVAC installation platforms with strategic sourcing and supply chain risk mitigation support – contact us to learn more about how we can help.

## SOURCES:

*Treya Partners Analysis; Chemours Company; Honeywell; Worthington Industries; HVAC School; U.S. EPA; Albany Mechanical Services; ACHR News; Spectrum Local News*