Volume 149 April 2025

OSCARTEK

The Journal

Why Supermarkets Shouldn't Rely on Changing Refrigerant Regulations

White House Pauses Tariffs on HVACR Industry affecting the Food Service Display market

Update by Nicole Krawcke the Editor-in-Chief of Contracting Business magazine: Thursday, March 16, President Donald Trump announced on Truth Social that Mexico will not have to pay tariffs on anything that falls under the previous United States Mexico-Canada Agreement (USMCA). The tariffs on imports covered in the USMCA, as well as auto imports, are on hold until April 2. However, Canadian imports — including various HVACR parts — remain subject to the full 25% tariffs. The 10% tariff that Trump had placed on imports from China in February was doubled to 20%, and also remained in effect.

Additionally, on March 12, Trump officially increased tariffs on all steel and aluminum imports to 25%. The European Union (EU) responded immediately, signaling increases on approximately $28 billion worth of U.S. goods.

President Donald Trump's 25% tariffs on goods from Canada and Mexico took effect first thing Tuesday. Additionally, the 10% tariff that Trump had placed on imports from China in February was doubled to 20%, according to the Associated Press. Canada responded with plans to impose 25% tariffs on nearly $100 billion of U.S imports over the course of 21 days, while China retaliated with tariffs of up to 15% on a wide array of U.S. farm exports. Mexico didn't immediately respond with any retaliatory measures.

The HVACR industry relies on a global supply chain, sourcing components and materials from Canada, Mexico, and other various countries. Tariffs could have several implications for the industry, including increased costs for HVACR equipment and components. Manufacturers may pass these additional expenses down the supply chain, affecting contractors and consumers alike. The industry can also expect to see more supply chain disruptions in the form of supply shortages, project delays and increased operational costs. The resulting higher prices for HVACR services and products may lead consumers to delay upgrades, opting instead for repairs over replacement, or even selecting lower-tier options to help manage costs.

HVACR Associations React

These latest actions by the Trump administration will be felt throughout all segments of the HVACR industry. Heating, Air-conditioning, & Refrigeration Distributors International (HARDI) has been tracking the tariff's closely, according to Alex Ayers, vice president of government affairs for HARDI. "More than two-thirds of HVACR products are made or use components imported from Canada, China, or Mexico, which means there will be an impact across the industry on the products coming in soon," Ayers notes. "Additionally, the 25% tariffs on steel and aluminum imports will impact several categories of products used in building HVACR equipment. As price increases are passed down the supply chain, it is essential that businesses review their contracts and terms and conditions to see where the financial risk of price increases could hit."

Plumbing-Heating-Cooling Contractors — National Association President Dan Callies says PHCC is also carefully watching the situation.

"The industry is highly dependent on products such as metals, lumber, automotive, and manufacturing components that are expected to be targeted by the proposed tariffs," Callies says. "The stock market is bracing for economic impacts as reflected in recent declines, but those declines have yet to reverberate to contractors. If there is a prompt resolution to the underlying causes of the tariffs, the market impact would be short lived. On the other hand, should there be protracted negotiations with tariffs in place for a significant time, there could be a deeper impact on contractors and consumers in the form of higher prices for products and services." Barton James, ACCA president and CEO, also notes that ACCA is monitoring Trump's tariff announcements and thier impact on the HVACR industry. "Increased costs on materials, including HVACR equipment and components, could worsen existing shortages and exacerbate ongoing logistical challenges, especially for newer systems. Many contractors are already facing delays in securing replacement parts due to supply chain disruptions, and additional pressures could make it even more difficult to diagnose and service consumers' needs without driving up prices. When equipment costs rise, homeowners and businesses are more likely to turn to unqualified individuals for service or delay necessary replacements — leading to higher long-term costs, reduced efficiency, and increased strain on systems. As these policies develop, ACCA will continue advocating for solutions that support affordability, supply chain stability, and contractor access to the equipment and parts they need to serve their customers." Stan Kolbe, SMACNA's executive director of government and political affairs, shared how the current tariff situation connects to broader economic uncertainty and procurement challenges facing the industry.

"The timing of the tariff led trade war is particularly problematic, with tariffs hitting long before any planned tax relief can pass Congress and take effect for consumers, building developers, and contractors," Kolbe explains. "This means contractors will feel the significant price increases immediately, and struggle with additional unknown tariffs expected to impact trade and trading relationships across the globe. Simply put, tariff spikes will arrive now while any potential tax benefits to smooth cost spikes on balance sheets will remain months or years away. Congress made it clear last year that they did not want to be in a situation where the U.S. and other nations are raising tariffs and fees on consumers with tax cuts still in to be decided."

Kolbe emphasized that the international trade fallout is particularly concerning and threatens positive trading relationships as well as the positive trends in construction markets. Expectations were high before the tariff and trade battle was initiated. Canada and Mexico, who are part of a unified trading block under the Trump-negotiated 2018 US-Mexico-Canada Free Trade Agreement (USMCA), are now facing unexpected record level tariffs — nominally in the name of border security, but Kolbe said the ultimate goal of tariffs are to raise tax revenue to offset some of the cost of the $5 trillion in tax cut portion of the reconciliation package on the president's wish list as well as the leadership in Congress. "While the tariffs on a long list of construction and equipment components as well as related products will be disruptive, tariffs on countless items made with aluminum and steel will be highly complex and challenging to calculate project bids for businesses on current and future contracts," Kolbe says. "Once the massively complex tariff list is out for the EU countries and others across the globe, contractors will see an impact on raw materials, equipment components and new price lists from vendors worldwide."

Kolbe adds, "With Capitol Hill deep into debates over preventing a government shutdown, raising the debt limit to avoid default as well as trying to pass a massive budget reconciliation package, the tariff war across the globe was unfortunately timed and adds to uncertainty in multiple policy areas. As if Congress and the economy needed additional and unpredictable economic complications to unnerve the investment and construction markets. It also adds new uncertainty to predicting the tax revenues, estimated budget deficits and general economic growth. Many economists feel tariffs add pricing uncertainty for consumers, construction developers, and building owners that could slow a market showing signs of cooling in recent months."

Tariffs Threaten Construction Spending

Construction spending decreased 0.2% from December to January with mixed results across residential, nonresidential, and public segments, according to an analysis of a new government report that the Associated General Contractors of America (AGC) released this week. Association officials cautioned that spending on new construction projects could be negatively impacted by proposed new tariffs on a range of goods from Canada, Mexico and China that are likely to make projects more costly. "Construction spending growth has been slowing under pressure from high interest costs and now the prospect of new waves of tariffs," said, Ken Simonson, chief economist of AGC, in a news release. "There have already been notable cancellations and postponements for major manufacturing plants and the impacts of new tariffs are likely to lead to more delays and cancellations."

AGC reported that spending totaled $2.19 trillion at a seasonally adjusted annual rate in January. The total was 0.2% below from the December rate and 3.3% above the January 2024 level. Simonson noted that construction spending increased at a 6.6% rate in 2024 as a whole — twice as fast as the latest year-over-year increase.

AGC officials noted that the new tariffs will make the cost of a broad range of construction materials more expensive, whether they are from Canada, Mexico and China or from domestic producers who are likely to raise prices as well. They urged the Trump administration to work quickly to resolve the underlying disputes that are prompting the new tariffs in order to mitigate the negative impacts of the tariffs. "Higher interest rates are making it harder to get private sector projects approved, and these new tariffs are likely to prompt many developers to hit pause on new projects," said Jeffrey H. Shoaf, CEO of AGC. "We all want to see more domestic suppliers of construction materials, but undermining demand for construction isn't the right way to stimulate new domestic capacity."

Contractor Precautions to Survive the Tariff and Trade Battles

The future remains uncertain, and more tariffs on raw materials, products, and components from additional countires could be on the horizon. Kolbe notes that even countries with existing trade agreements and treaties are high on the list for significant and possibly escalating tariffs of varying amounts. "Most surprising is our top trading allies across the borders where we had a trade agreement to remain tariff free until 2027," he says. "The USMCA gave businesses certainty and confidence to invest and develop supply chain relationships to expand operations and bid work using steel and aluminum and much more with confidence on long-term projects. Firms with existing contracts and mega projects are now struggling to make sense of their bidding status for projects and in markets for materials now, and in the months and years ahead."

As a result, SMACNA is advising contractor members to take steps to mitigate the impacts of tariffs on construction-related imports. For example, SMACNA contractors should consider any and all of the following actions. Companies must quickly adapt to these changes to mitigate risks and seize potential opportunities by doing the following:

Buy in bulk: Buying materials in advance avoids any uncertainty regarding price where feasible, and plan to store the additional material need to be addressed as well.
Locate U.S. suppliers: Now is the time to explore whether domestic suppliers of specific products or manufactured items exist. This, too, is not often feasible, and contractors may need to explore other options. Also, while domestic suppliers may be available at a lower cost, timing may be a concern because if goods cannot be supplied on time, a contractor may be liable for liquidated damages if the project is delayed. Revise and update construction contracts and subcontracts: For new contracts and subcontracts, SMACNA contractors should review the cost structure and update pricing based on the latest tariffs and potential tariffs. Contractors should also consider adding provisions allowing for increased material costs to be passed through to the owner or general contractor. For example, consider adding provisions relating to tariffs or revising preexisting language about changes in laws and force majeure to expressly outline how price increases will be handled or how to provide additional time for completion if additional time is needed to source local material. Analyze existing contracts and subcontracts: For existing contracts and subcontracts, contractors should review any contractual provisions relating to tariffs, changes in laws, and force majeure to determine if they can pass along higher costs upstream should tariffs mean the cost of their materials go up. (Consider including price escalation clauses in private and public contracts to seek reimbursement for unpredicted cost spikes). With the White House and Commerce Department producing even greater tariff uncertainty due to their ever-changing landscape of U.S. tariffs, contractors should continue to monitor this issue closely. HVACR industry associations can help provide additional updates and guidance About the Author:
Nicole Krawcke is the Editor-in-Chief of Contracting Business magazine. With over 10 years of B2B media experience across HVAC, plumbing, and mechanical markets, she has expertise in content creation, digital strategies, and project management. Nicole has more than 15 years of writing and editing experience and holds a bachelor's degree in Journalism from Michigan State University.

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Why Supermarkets Shouldn't Rely on Changing Refrigerant Regulations

Supermarkets are constantly navigating changing regulations, especially when it comes to the refrigerants used in their refrigeration systems. Recent updates to refrigerant rules, including those from the U.S. Environmental Protection Agency (EPA), have made it clear that high global-warming potential (GWP) hydrofluorocarbons (HFCs) are on their way out. The EPA's reconsideration of refrigerant regulations under the American Innovation and Manufacturing (AIM) Act suggests that stricter rules may be coming soon, requiring supermarkets to make changes. However, waiting for these regulations to guide decisions may not be the best approach.

Rather than relying on an unpredictable and evolving regulatory landscape, supermarkets may want to consider transitioning to carbon dioxide (CO_2) refrigeration systems now. While regulations could change again in the future, making the switch to CO_2 helps ensure that supermarkets are well prepared for potential future requirements while also adopting a sustainable, efficient and cost-effective solution for the long term.

The Uncertainty of Constantly Changing Regulations
The refrigerant landscape has already undergone significant changes in the past decade, and it's clear that more adjustments are coming. The EPA's updated regulations aim to phase out the use of high-GWP refrigerants in favor of lower-GWP alternatives, with new deadlines and compliance requirements. The transition to low-GWP refrigerants such as HFOs, hydrocarbons or CO_2 will help mitigate the environmental impact of refrigerants, which are proven to be a significant contributor to climate change.

However, these regulations are subject to change based on political, economic and environmental factors. As regulations evolve, supermarkets may find themselves scrambling to meet new deadlines, change out systems and deal with the costs of ongoing compliance. This uncertainty can create unnecessary operational disruptions, leading to increased costs and inefficiencies as supermarkets work to stay in compliance with each new regulatory shift.

CO2 Refrigeration: A Sustainable and Future-Proof Solution
CO_2 refrigeration offers a clear and reliable solution to these challenges. Unlike HFCs and other refrigerants, CO_2 has a GWP of 1, making it one of the most environmentally friendly refrigerants available. The technology has been successfully used for years in Europe, where it's gained recognition for its efficiency, low environmental impact and cost effectiveness. Many major retailers in Europe, including ALDI, Lidl and Tesco, have already adopted CO_2-based refrigeration systems, demonstrating the technology's reliability and potential for wider use.

By adopting CO_2 refrigeration systems now, supermarkets can ensure they are futureproofing their operations. CO_2 systems are more energy efficient, which translates into lower operational costs. They also require less maintenance and have a longer lifespan, providing additional cost savings over time for a lower total cost of ownership (TCO). Further, CO_2 refrigeration systems are compatible with the sustainability goals that many retailers are setting, as they help reduce the carbon footprint of their operations and contribute to a greener future.

Avoiding the Disruptions of Regulatory Shifts

One of the biggest advantages of making the switch to CO_2 refrigeration now is that supermarkets can avoid the disruptions and costs associated with future regulatory changes. With the increasing pressure to move away from HFCs and other high-GWP refrigerants, supermarkets that transition early on will avoid the potential costs of retrofitting systems or replacing them entirely when new regulations come into effect.

Additionally, by making the transition, supermarkets can secure a competitive advantage in the marketplace. Consumers are increasingly aware of sustainability and environmental concerns, and many prefer to shop at businesses committed to reducing their carbon footprint. By embracing CO_2 refrigeration, supermarkets demonstrate a proactive approach to sustainability and position themselves as leaders in the industry.

Conclusion

If your business is considering upgrading its refrigeration system, begin by evaluating your current setup to determine the feasibility of implementing CO2 refrigeration. Engaging an experienced service provider with expertise in CO2 systems is crucial for ensuring a seamless transition, from design and installation to ongoing maintenance.
While the transition to CO2 refrigeration may seem complex, it is a proven, forward-thinking solution that enhances sustainability while optimizing operational efficiency. As environmental regulations become more stringent, adopting CO2 systems will not only help reduce your operation's carbon footprint, but also safeguard your business from future regulatory challenges.
Partner with Smart Care to develop a customized strategy and embrace the future of refrigeration. We've helped supermarkets, convenience stores and cold-storage facilities around the country make the switch. Transition to CO2 refrigeration today and enjoy the benefits of a greener, more cost-effective operation.