

# North America HVAC News February 2009



International Market Strategy

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## USA: Market Research on 'Core' HVAC Products and 'New' Technologies

BRG CONSULT researches the following global markets on an annual basis:

- Boilers, Water Heaters, Furnaces, Air Conditioners, in the USA and in Canada
- Boilers, Radiators, Water Heaters in 16 West European countries, 14 East European countries and in China
- Heat Pumps, Solar Thermal, Biomass Boilers in the USA (new for 2008), 16 West European countries and 14 East European countries.

The reports discussing the 2007 market are readily available; the publications of the first figures for year 2008 are scheduled to be published at the end of March 2009.

If you want to reserve your copy or have any enquiries about any of these countries or product technologies, please contact Marie Vermeulen ([mvermeulen@brgconsult.com](mailto:mvermeulen@brgconsult.com)) in the US or David Harrop ([dharrop@brgconsult](mailto:dharrop@brgconsult)) in the UK office.

Source: BRG Consult North America



## USA: A. O. SMITH announces 2008 earnings of \$2.70 per share; forecasts 2009 earnings of \$2.40 to \$2.60 per share

22 January 2009, Milwaukee, Wis.— A. O. SMITH CORPORATION, one of the world's leading manufacturers of energy-efficient residential and commercial water heating equipment and electric motors, today announced results for its fiscal fourth quarter and full year 2008.

The company reported full year sales of \$2.3 billion, essentially flat compared to 2007, and net earnings of \$81.9 million or \$2.70 per share, approximately 7% lower than the record \$88.2 million or \$2.85 per share last year. Earnings included after-tax restructuring and other charges of \$5.6 million or \$.19 per share in 2008. In 2007, earnings included restructuring and other charges of \$.33 per share and tax benefits of \$.16 per share.

Fourth quarter sales of \$508.6 million were approximately 11 percent lower than fourth quarter 2007 sales of \$569.9 million. A. O. SMITH earned \$6.6 million in the fourth quarter or \$.22 per share, compared with the \$17.0 million or \$.55 per share earned during the same period in 2007. Earnings included after-tax restructuring and other charges of \$2.1 million or \$.07 per share in the fourth quarter of 2008 compared with \$.26 per share in the fourth quarter of 2007. In addition, fourth quarter 2007 earnings also included tax benefits of \$.06 per share.

"2008 was a solid year for our business, in spite of the rapid deterioration of the global economy in the fourth quarter," Paul W. Jones, chairman and chief executive officer, observed. "The volatility of steel and copper prices throughout 2008, coupled with the continuing weakness in the domestic residential housing market, made 2008 a very challenging year. If you add to that the precipitous volume declines in the fourth quarter, 2008 changed from an unfavorable business climate into one of the worst in recent memory."

"Despite these incredible headwinds, I am proud of our employees' ability to navigate the challenges that we encountered in 2008. As a result of the hard work of our experienced team, we ended the year with a strong balance sheet and debt to capital ratio of 34%," Jones continued. "We are in a good financial position in spite of the recession. We continue to focus on preserving cash and reducing our cost structure to maintain our solid financial position."

### Water Products Company

Water Products sales of \$1.45 billion in 2008 were approximately 2% higher than 2007 sales of \$1.42 billion. A 26% increase in sales of water heaters in China and pricing that partially covered higher material costs helped offset lower residential and commercial water heater volumes.

Operating profit decreased approximately 10% to \$134.7 million due to lower residential volumes and higher raw material costs partially offset by pricing actions. Operating margin decreased to 9.3% compared with 10.5% the prior year.

Fourth quarter sales were \$346.2 million, approximately \$33 million lower than the fourth quarter of 2007. China sales increased 11%, but were overshadowed by lower sales to the residential and commercial water heater markets. Operating earnings of \$29.5 million were significantly lower than last year's record fourth quarter earnings. Earnings were impacted by lower residential and commercial volumes and higher raw material costs not fully covered by price increases. As a result,



operating margins declined to 8.5% in the fourth quarter of 2008 from 11.9 percent in the fourth quarter of 2007.

In late December, Water Products received a land allotment near Bangalore, India, and will begin construction in the second quarter 2009 of a new 76,000 square foot plant. The plant is centrally located in one of the company's key target markets in India with a growing consumer class interested in premium water heating solutions. The company designed a residential product line specifically for this market and is currently importing the products from its plant in Nanjing, China. The company expects to begin water heater production in India during the second quarter of 2010.

### Electrical Products Company

Electrical Products 2008 sales of \$858.1 million were approximately 4% lower than 2007 sales of \$894.0 million. Pricing actions related to higher material costs were more than offset by lower motor volumes caused by the decline in the housing market and customer inventory reductions at the end of the year.

Operating earnings of \$39.1 million were significantly higher than the \$23.1 million earned in 2007. Earnings included \$8.7 million of restructuring expense in 2008 compared with \$22.8 million in restructuring expense the prior year. Operating profit margin increased to 4.6% in 2008 from 2.6% in 2007 due to lower restructuring costs offset by lower volume.

Fourth quarter sales were \$163.2 million, approximately 15% lower than 2007 fourth quarter sales of \$192.4 million. In response to the weakened housing market and the uncertainty from the overall economic recession, OEM customers significantly reduced production schedules during the quarter, resulting in lower order volume. The Electrical Products Company lost \$5.2 million in the fourth quarter which included \$2.9 million in restructuring expense. In the fourth quarter of 2007, Electrical Products recorded an \$18 million loss which included \$21.2 million of restructuring expense.

At the end of 2008, Electrical Products completed the announced closings of the Mebane, N.C., and Scottsville, KY., plants. The company expects to realize incremental annual cost savings of \$15 million in 2009 due to this restructuring initiative, which also included the closure of its plant in Budapest, Hungary, in early 2008. The company also expects to complete construction of its new commercial hermetic motor plant in Yueyang, China, during the first quarter of 2009.

### Cash flow and leverage

Cash flow from operating activities in 2008 of \$106.6 million was significantly lower than the \$190.5 million achieved in 2007 primarily due to a larger investment in working capital, particularly inventory, and cash deposits associated with margin calls on derivative contracts. The debt to capital ratio of 34% at the end of 2008 was the same as last year, but higher than the company expected due entirely to charges to stockholder's equity associated with pension liabilities and derivative contracts.

### Smith Investment Company transaction

On Dec. 9, the company announced it had signed a definitive merger agreement with Smith Investment Company (PK:SMIC) under which Smith Investment would become a wholly owned subsidiary of the company. Expected benefits of the merger include:



- The number of shares of A. O. SMITH stock exchanged for the underlying shares owned by Smith Investment will be at a discount resulting in a small decrease in the total shares outstanding;
- The transaction will involve several corporate governance enhancements including one additional board seat elected by common stock shareholders, a “sunset” provision on Class A Common Stock shares based on a percentage of ownership, and a requirement that Class A shares convert automatically to Common Stock shares upon transfer to unaffiliated third parties; and
- The number of A. O. SMITH shares that have the potential to trade in the public market will increase materially.

“We are pleased with the milestone in our history that this merger represents,” Jones commented. “We have worked hard to ensure this is a good deal for our shareholders. It will improve our corporate governance, has the potential to increase the public float, and will result in a small reduction of total shares outstanding.”

The transaction is subject to regulatory review and votes by A. O. SMITH and Smith Investment shareholders. A. O. SMITH expects to complete the transaction by the end of the second quarter.

### Outlook

“Given the deteriorating global economic environment that intensified during the fourth quarter, we are taking a more cautious approach to our expectations for 2009. At this time, we are forecasting significantly lower volumes for both our residential and commercial businesses in both operating companies,” Jones commented. “Also, we expect an increase of more than \$6 million in pension expense. While we are being impacted by global macroeconomic headwinds, we continue to expect sales growth in China.”

“In addition, there are a number of factors that we believe will contribute to earnings this year, including improvement in water heater pricing, continued growth—although at a slower rate—in China, and savings from the restructuring initiative at Electrical Products Company. At the same time, we continue to reduce cost throughout our operations. We announced a company-wide workforce reduction program this month for our salaried workforce.”

“Notwithstanding these earnings enhancers, the weak economy will challenge us throughout the year,” Jones continued. “Consequently, we expect 2009 earnings will be in a range between \$2.40 and \$2.60 per share.

A. O. SMITH CORPORATION, with 2008 sales of \$2.3 billion, is a global leader applying innovative technology and energy-efficient solutions to products marketed worldwide. The company is one of the world's leading manufacturers of residential and commercial water heating equipment, offering a comprehensive product line featuring the best-known brands in North America and China. A. O. SMITH is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.

Source: [www.aosmith.com](http://www.aosmith.com)



## USA: JOHNSON CONTROLS Posts Big Loss, Eyes More Red Ink

16 January 2009, New York: JOHNSON CONTROLS INC. said Friday it lost more than \$600 million in the first quarter of fiscal 2009 and warned that uncertainty over business conditions will likely produce a loss for the second quarter.

JOHNSON CONTROLS, INC reported a loss of \$608 million, or \$1.02 a share, in the three months ended Dec. 31, a reversal from net income of \$235 million, or 39 cents a share, generated in the year-earlier first quarter. The Milwaukee-based company had initially warned of a loss on Dec. 16.

On an adjusted basis, JOHNSON CONTROLS would have had a loss of 14 cents a share for the latest quarter.

Quarterly sales fell to \$7.34 billion from the prior year's \$9.48 billion, reflecting lower contributions for all three of its business segments.

JOHNSON CONTROLS took \$562 million in one-time charges against results for the most recent quarter -- a \$300 million tax-valuation allowance and \$262 million in impairments.

"While we are disappointed to report a loss in the quarter, we are addressing the challenges by improving our cost structure and preserving our liquidity," the company said.

Higher North America systems sales were more than offset by double-digit declines in its North American residential heating business and in business from Europe, JOHNSON CONTROLS said.

Looking ahead, JOHNSON CONTROLS said it expects to report an overall loss for the second quarter similar in scale to the first quarter's operating loss of 14 cents a share.

The company said it's experiencing some global softness in its new-construction markets. Its performance in building efficiency and power solutions is expected to improve, however.

Shares of JOHNSON CONTROLS fell 5% to close at \$16.21 on Friday.

Source: MarketWatch



## USA: LG Consolidates Appliances and CE Divisions

Jan 6, 2009 - LG ELECTRONICS has consolidated its home appliance and consumer electronics businesses in the United States as a way to better capitalize its brand name, according to the company.

The realignment creates a new structure in its sales and marketing divisions, which will be led by John Herrington in his new role as President of Sales. Peter Reiner, Senior Vice President, Marketing and Strategy, will lead the combined marketing organization. Logistics and supply chain functions for consumer electronics and appliances have been consolidated under Kevin Holian, Vice President, Supply Chain.

All sales divisions, including national and regional accounts, sales training, customer support, sales analysis, and channel merchandising, will report to Herrington. Marketing divisions, including brand management, public relations, product development, product management, and consumer insights, will report to Reiner. Reporting to Holian are national distribution, transportation, reverse logistics, and planning departments.

"This new structure will transform the way we do business by creating a single face to our retailers and by integrating our branding messages to reach consumers more effectively," said Teddy Hwang, President, LG ELECTRONICS USA.

Source: [www.appliancemagazine.com](http://www.appliancemagazine.com)

## USA: RINNAI Tankless Water Heaters Awarded ENERGY STAR Designation

13 January 2009 - RINNAI CORP. said that six models from its line of tankless water heaters have earned the U.S. Department of Energy's and Environmental Protection Agency's ENERGY STAR rating for energy efficiency, including its flagship models, the R94LS and R75LS.

In order to be deemed ENERGY STAR qualified, tankless water heaters must maintain a minimum Energy Factor (EF) of 0.82 and a minimum gallons-per-minute flow of 2.5 at a 77-degree Fahrenheit rise. A whole-home gas tankless water heater that meets these requirements is expected to reduce energy use by 30%, RINNAI says, which can save a consumer approximately US\$108 in annual energy costs when compared to a typical gas storage water heater.

Source: [www.appliancemagazine.com](http://www.appliancemagazine.com)



## USA: TACO, INC. Makes Acquisition

Cranston, RI - January 5, 2009 - TACO, INC. has announced that the Cranston, RI company has acquired the assets of INNOVEX TECHNOLOGIES, a Lewiston, ME-based manufacturer of Intelligent Building Systems products (IBS), that include stand alone control devices and accessories that offer a complete control solution for both residential and commercial buildings.

Announcement of the acquisition was made by TACO President and CEO, John Hazen White, Jr.

Mr. White said, "The addition of the INNOVEX TECHNOLOGIES product line is consistent with TACO's strategy to expand its electronics product offering and our continued focus on system selling. This is another way in which TACO will create value for our customers, further diversify the TACO product line and continue to move away from the industry's tendency of simply selling cast iron by the pound.

"This acquisition will provide TACO with a technology platform that will incorporate our existing line of pumps, hydronic controls and electronic control products along with our unique LOADMATCH single pipe heating and cooling system into a networked controls solution that provides comfort in an energy efficient and environmentally friendly manner. This is a huge opportunity for TACO, its employees and the industry as a whole," added Mr. White.

TACO, INC. is an ISO 9001 registered manufacturer of heating and cooling components for use with hydronic-based systems worldwide. The company supplies a wide range of high quality and long lasting products for residential, commercial and industrial applications.

Source: [www.taco-hvac.com](http://www.taco-hvac.com)

## USA: VIESSMANN Adds New Economy Model To Flat-Plate And Vacuum-Tube Solar Collectors

VIESSMANN, a manufacturer of hydronic heating solutions and renewable energy systems for residential, commercial and industrial applications, has unveiled the VITOSOL 100-F flat-plate solar collector - the economical option to its line of flat-plate and vacuum-tube solar collectors.

The collector features rugged aluminum frame construction, impact-resistant solar glass and excellent solar energy harvest with a selectively-coated copper absorber, the company says.

Suitable for a wide range of solar thermal applications, the 100-F Series is ideal for solar domestic hot-water or pool-heating systems. Now OG-100 certified by the Solar Rating and Certification Corp., the 100-F collector qualifies for available U.S. state and federal incentive programs.

Source: [www.solarindustrymag.com](http://www.solarindustrymag.com)



## USA: Natural Gas Heat Pump 'ECOVAIRE' Unveiled at International Builders' Show

LAS VEGAS, Jan. 20 - A new natural gas heat pump was unveiled to the U.S. market today at the International Builders' Show in Las Vegas, Nevada. To be marketed under the brand name ECOVAIRE, this product will compete head on with traditional electric systems for both residential and commercial heating and cooling.

The ECOVAIRE natural gas heat pump was installed in the Showcase Home - called the New American Home 2009 - at the International Builders' Show. The New American Home is a net-zero energy home that features state-of-the-art green building technology including the gas-powered mechanical HVAC system.

The ECOVAIRE unit is built upon existing technology produced in Japan by AISIN (pronounced EYE-zen), a TOYOTA GROUP COMPANY, and has been available worldwide for more than 20 years with thousands of units in operation. It was developed as part of a national Japanese initiative launched in 1985 to address escalating electric demand. AISIN produced their first gas engine driven heat pump in 1987 and their market share has increased dramatically from 1990 to 2000 and continues to grow. The AISIN unit has undergone modifications to meet the performance and certification needs of the North American market and more than two years of testing and monitoring have been completed for the North American unit.

"It fills an important energy and environmental gap that has been dominated by traditional electric systems," says Tommis Young, CEO of Team Consulting. "Natural gas driven air conditioning has long been considered the Holy Grail for the industry. From a technology, performance and branding perspective, this gas heat pump is truly a brand-new HVAC system for the U.S. market."

The unit contains a natural gas engine that utilizes scroll compressors combined with state of the art electronic controls and variable refrigerant flow management systems which allows up to 19 independent zones. The use of a refrigerant loop eliminates the need for space consuming duct soffits and allows for the placement of air handlers within each dedicated zone.

Unlike most traditional electric units that are either on or off, the ECOVAIRE unit's control system precisely matches the engine output and energy requirements to any load condition significantly reducing energy consumption and component wear while delivering superior comfort. In the heating mode, the ECOVAIRE unit augments its performance by capturing engine waste heat which not only increases efficiency but also eliminates the "cold blowing air" commonly associated with electric heat pumps.

"The performance of this unit is unmatched by any other product on the market today," said Young. "The ECOVAIRE unit can reduce summer peak electric power demand by more than 80% while reducing a home's carbon footprint by up to 46%."

Other performance highlights include:

- Outstanding performance in both the heating and cooling modes.
- Depending on local gas and electric rates, annual savings up to 45% can be expected.



-- Reduces noise pollution by more than 26% (GHP 56 decibels, EHP more than 75 decibels)

-- Reduces water requirements by 83% (based on the gallons of water consumed annually to generate electricity).

The ECOVAIRE unit is being distributed exclusively by ALL AIR SYSTEMS AND TEAM CONSULTING, a leading research & development engineering consulting firm based in Las Vegas.

The ECOVAIRE unit will be available in the Southwestern U.S. by summer 2009. Roll-outs of this unit in other regions of the U.S. will follow along with the introduction of a commercial roof-top unit. Unlike conventional electric heat pumps that remain impractical for colder climates, the technology behind ECOVAIRE is suitable for the entire North American market. For more information, visit <http://ecovaire.com>.

Source: PR Newswire



## USA: U.S. GDP Drops 3.8%

Jan 30, 2009 - Real gross domestic product - the output of goods and services produced by labor and property in the United States - decreased at an annual rate of 3.8% from the third quarter to the fourth quarter according to advance estimates from the Bureau of Economic Analysis. In the third quarter, real GDP decreased 0.5%.

These are "advance" estimates and could be revised when 4Q "preliminary" estimates, based on more comprehensive data, are released on Feb. 27, 2009.

BEA said the 4Q decrease primarily reflected negative contributions from exports, personal consumption expenditures, equipment and software, and residential fixed investment that were partly offset by positive contributions from private inventory investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, decreased. The largest contributing components were a downturn in exports and a much larger decrease in equipment and software. The most notable offset was a much larger decrease in imports.

### **Full-Year GDP**

For all of 2008, real GDP increased 1.3% (from the 2007 annual level to the 2008 annual level), compared with an increase of 2.0% in 2007.

The major contributors to the increase in real GDP in 2008 were exports, personal consumption expenditures (PCE) for services, federal government spending, nonresidential structures, and state and local government spending. These were partly offset by residential fixed investment, PCE for goods, equipment and software, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased.

The deceleration in real GDP primarily reflected a sharp deceleration in PCE, a downturn in equipment and software, and decelerations in exports and in state and local government spending that were partly offset by a sharp downturn in imports, an acceleration in federal government spending, and a smaller decrease in private inventory investment.

Source: Appliance Magazine



## USA: EIA - Energy Prices to Stay Low In 2009, but Rise in 2010

14 January 2009 - A slow economy is bad in many, many ways, but it definitely has its advantages when it comes to energy prices. After suffering record-high gasoline and diesel fuel prices in the summer of 2008, motor fuel prices have fallen by 50% or more, reaching \$1.69 per gallon for regular gasoline and \$2.45 per gallon for diesel fuel in December 2008. According to the latest projections from DOE's Energy Information Administration (EIA), the slump in fuel prices is expected to continue through 2009, causing the annual average prices for gasoline and diesel fuel to average only \$1.87 and \$2.27 per gallon, respectively. Natural gas spot prices are also expected to drop from the 2008 average of \$9.13 per thousand cubic feet to only \$5.78 per thousand cubic feet in 2009. That's partly because oil prices will also be depressed, averaging \$43.25 in 2009.

The EIA projection is based on a 2% decline in U.S. gross domestic product in 2009, followed by a 2% increase in 2010 as the economy recovers. The expected recovery in 2010 will drive oil prices back up to an average of \$54.50 per barrel. That increase, in turn, will cause natural gas prices to average \$6.63 per thousand cubic feet in 2010, while average retail prices for gasoline and diesel fuel will rise to \$2.18 and \$2.54 per gallon, respectively.

Source: EERE

## USA: New ENERGY STAR Standards Roll Out For Water Heaters

5 January 2009 - New ENERGY STAR labels are being rolled out this month, and could offer consumers shopping for a new hot water heater a chance to save from between 7.5% and 55% on home water-heating bills.

New standards went into effect Jan. 1, and even stronger standards will be phased in beginning in September 2010. Buying an ENERGY STAR-labeled water heater in Phase 1 will save the average consumer between \$26 and \$277 a year, depending on the type of water heater, according to the Department of Energy.

The new standards apply to gas storage water heaters, whole home gas tankless water heaters and solar water heaters. Later this year, ENERGY STAR standards will apply to gas condensing and heat pump models.

However, not all ENERGY STAR-rated water heaters qualify for the \$300 tax credit available for energy efficiency improvements made to the home in 2009. The tax credit will not apply to high-efficiency gas storage water heaters, even if rated by ENERGY STAR.

For a complete list of qualifying home improvement projects, visit the ENERGY STAR website.

Source: Radiant & Hydronics



## USA: Popular Solar Show Changes Date, Location

9 January 2009 - In response to unprecedented growth of Solar Power International, organizers announced a 2009 date and location change for “America’s largest solar conference and expo.” The sixth annual event will now be held at the Anaheim Convention Center in Anaheim, CA, Oct. 27-29.

Attendance jumped from 12,500 in 2007 to 23,200 in 2008, according to the Solar Electric Power Association (SEPA) and Solar Energy Industries Association (SEIA), the show organizers. The new location will be able to meet the increased demand for hotel accommodations, exhibition and meeting space, and will allow the event to deliver a positive experience for all participants while maintaining its reputation for excellence within the industry.

The trade groups originally planned to hold the event in San Jose, CA. However the anticipated increase in demand due to the extension of the federal investment tax credit in the United States, a larger venue was required to meet the needs of the event exhibitors and attendees in the upcoming year. The exhibit floor is expected to sell out quickly — between 650 and 800 companies from around the world gather to showcase their technology. Overall attendance is expected to top 27,000 in 2009.

According to Julia Hamm, conference chair and executive director of SEPA, proceeds from Solar Power International are used by SEPA and SEIA to support the organizations’ year-round activities to strengthen the U.S. solar market.

“The event’s growth has mirrored that of the solar energy industry,” said Rhone Resch, president of SEIA. “Despite a challenging economic climate, we have gained significant momentum in the United States, especially with the recent eight-year extension of the solar investment tax credit. Also, hopes are that a new administration with a commitment to renewable energy and the environment will enact policies that stimulate domestic solar manufacturing and installation, creating hundreds of thousands of permanent green jobs while increasing our energy independence and security.”

Solar Power International 2009 will feature keynote speeches from world and industry leaders and more than 60 breakout sessions. Together the conference program and expo floor encompass the complete range of solar energy technologies, including photovoltaics, concentrating photovoltaics, solar thermal electric, solar hot water, and space heating and cooling. Attendees represent every part of the solar value chain and its customers — including solar industry professionals, utility executives, investors, engineers and policymakers — with an international contingent representing more than 90 countries.

For updates on exhibit sales and registration, and to read more about the conference and its history, visit [www.solarpowerinternational.com](http://www.solarpowerinternational.com)

Source: SEPA



## USA: HVAC Shipments Down in November 2008

January 13, 2009 - Combined U.S. factory shipments of central air conditioners and air-source heat pumps for November 2008 totaled 231,995, down 33% compared with the same month a year ago, according to the Air-Conditioning, Heating and Refrigeration Institute (AHRI). For the year-to-date, combined shipments totaled 5,595,194, an 8% drop compared with the same period last year.

Heat pump shipments for November totaled 95,506, down 21% from the same month a year ago. For the year-to-date, heat pump shipments totaled 1,768,813, a 0.8% drop compared with the same period last year.

U.S. factory shipments of gas-fired, warm-air furnaces in November totaled 200,502, a 20.7% drop compared with the same month a year ago. Oil-fired, warm-air furnaces for the same month totaled 5349, a 38.5% drop compared with November 2007 totals. For the year-to-date, gas furnace shipments totaled 2.1 million, an 18% drop compared with the same period last year. Oil furnace shipments for the year-to-date totaled 53,368, a 29.3% drop compared with the same period last year.

Residential electric water heater shipments for November totaled 280,019, a 24.2% drop from the same month a year ago. Residential gas water heater shipments totaled 260,443, a 26.8% decrease compared with shipments for the same month last year. For the year-to-date, about 3.6 million residential gas water heaters have been shipped, a 7.7% drop compared with the same period a year ago. For the year-to-date, about 3.9 million residential electric storage water heaters have been shipped, a 4.2% drop compared to the same period last year.

AHRI says that commercial gas water heater shipments for November totaled 4,910, dropping 38.5% compared with the same month last year, while commercial electric water heater shipments totaled 4,292, a 26% drop compared with the same month a year ago. For the year-to-date, commercial electric water heater shipments (63,842) are 3.3% ahead of total shipments during the same period last year (61,800). Commercial gas water heater shipments (82,083) for the year-to-date are up 0.5%, compared with the same period a year ago (81,665).

A total of 13,860 vent-free room heaters were shipped in November, a 60.4% drop compared with the same month last year (34,986). For the year-to-date, 233,507 units have been shipped, a 10.1% drop compared with the same period last year (259,759).

November gas logs and insert product shipments totaled 7,448, a 59.6% drop compared with the same month last year. For the year-to-date, 173,660 gas logs and inserts have been shipped, an 18.3% drop compared to the same period last year. Gas fireplace shipments for November totaled 1,417, a 62.2% drop compared to the same month last year. A total of 430 gas stoves were shipped in November, a 32.1% drop compared to the same month last year.

Source: [www.appliancemagazine.com](http://www.appliancemagazine.com)



## USA: Economists Say Housing Market to Remain Unstable

On Inauguration Day for President Obama, a day filled with hope and promise, chief economists from a number of national organizations killed the joy with predictions of further doom and gloom at the International Builders Show in Las Vegas.

David Crowe of the National Association of Home Builders said he was quite negative in his housing and economic outlook last year, but not negative enough.

Housing starts dropped by about 441,000 in 2008, their lowest total since 1945 and down from nearly 1.8 million in 2006. Builders are reducing prices and adding optional features at no cost.

Interest rates are at 40-year lows and housing affordability is at its highest level since the 1970s.

None of that matters when people fear for their jobs and are afraid to commit to a major purchase such as a car or a house, Crowe said.

"We have consumer confidence at or near a historic low," the economist said Tuesday at the building industry trade show, "and it will probably deteriorate in 2009."

The S&P/Case-Shiller Home Price Index fell 25.3% from March 2006 to October 2008.

Crowe said he expects prices to fall another 29% this year and new home sales to decline 14%.

Delinquency rates on home mortgages have risen significantly and are expected to go higher in 2009, said Frank Nothaft, chief economist for Freddie Mac. Rising unemployment is the "trigger event" for foreclosures, he said.

Credit is ample for borrowers who have equity and a good credit score, can make a down payment and can qualify for a full-documentation conforming loan, Nothaft said.

"The credit box for home mortgages and commercial mortgages has tightened over and over in the face of mounting defaults," he said.

The Federal Reserve has taken aggressive steps to keep interest rates low and has purchased \$125 billion in mortgage-backed securities debt from Fannie Mae and Freddie Mac.

The basic premise behind what's happening with housing is an imbalance between supply and demand, Crowe said. The nation has an excess "overhang" of 6.2 million homes for sale, about 1.5 million too many, he said.

Portland Cement Association chief economist Ed Sullivan said any recovery probably will not materialize until 2012. The nation lost 2.6 million jobs in 2008 and Sullivan projects another 5.8 million jobs will disappear in the next two years.

Obama's proposed \$775 billion economic stimulus package might not be enough to pull the country from the depths of recession, Sullivan said. He estimates the plan would require \$1.2 trillion to restore employment to January 2008 levels.



Stabilizing labor markets and job creation by way of increased infrastructure spending is a "critical ingredient" of that stimulus plan, Sullivan said.

An estimated \$65 billion to \$70 billion in "shovel-ready" construction projects could begin within 90 to 180 days, he said. Shovel-ready projects are those that have already been designed and engineered and only await funding.

The Council of Mayors has identified 76 shovel-ready projects in Nevada valued at \$586 million, including roads, schools and airport construction. They would create 7,200 direct construction jobs and another 19,445 "downstream" jobs and consume 108,000 metric tons of cement, Sullivan said.

Las Vegas shows a 90 percent probability — highest in the nation — that home prices will be lower in two years than they are today because of the overhang of homes for sale, said David Berson, chief economist of PMI. The risk is greater than 50% in more than half of all metropolitan statistical areas that prices will be lower in two years.

Mortgage default rates are going to be a problem for a while, he said.

"The primary reason people default is not because they're under water, but because they can't make the payment," Berson said.

Source: Las Vegas Review-Journal



## USA: Consortium to Advise DOE on High-Performance Green Building Issues

ATLANTA –The American Society of Heating, Refrigerating and Air-Conditioning Engineers, along with nine other leading organizations, is forming a consortium in response to the U.S. Department of Energy request for consortia to advise the department on high-performance building issues. The High-Performance Commercial Green Building Partnership (HPCGBP) brings together leading organizations from all aspects of the building community to provide guidance and technical leadership on key sustainability issues to the Department of Energy's Building Technologies Program.

"This partnership will ensure that the voices of the building industry are being heard," says Bill Harrison, ASHRAE president. "At a time when reducing energy consumption in buildings is paramount, the consortium gives leaders in the built environment and in those industries affecting construction a clear path to offer advice to the DOE on our goals, concerns and new technologies."

The American Society of Heating, Refrigerating and Air-Conditioning Engineers initiated formation of the Partnership and will serve as the Partnership's Secretariat. Other members of the HPCGBP's steering committee currently includes the Air-Conditioning, Heating and Refrigeration Institute (AHRI), American Institute of Architects (AIA), Alliance to Save Energy (ASE), Building Owners and Managers Association (BOMA), International Code Council (ICC), Illuminating Engineering Society of North America (IESNA), National Association of State Energy Officials (NASEO), National Electrical Manufacturers Association (NEMA) and the U.S. Green Building Council (USGBC).

The partnership intends to be recognized as a "Partnership Consortium" by the Department of Energy as requested in response to the Energy Independence and Security Act of 2007 Section 421. Section 421 is part of the formation of the Net-Zero Commercial Building Initiative which is intended to develop a research, development, and deployment strategy toward achieving net zero energy commercial buildings.

Partnership participants reflect all disciplines necessary to design and build high-performance commercial buildings, including:

- architects and engineers
- the development, construction, financial, and real estate industries
- building owners and operators
- academic and research organizations
- building code agencies and organizations
- independent high-performance green building associations or councils
- experts in indoor air quality and environmental factors
- experts in intelligent buildings and integrated building information systems;
- utility energy efficiency programs;
- manufacturers and providers of equipment
- public transportation industry experts
- nongovernmental energy efficiency organizations.

Source: [www.ashrae.org](http://www.ashrae.org)



## Colorado: Alternative Energy Might Save Economy in Colorado

9 January 2009 - Alternative energy has often taken a back seat to other economic and environmental issues. But 2009 could be the year for breakthroughs in alternative and green energy -- creating more jobs and new fields of study.

In Colorado, developing a new energy work force is part of Gov. Bill Ritter's economic policy, and the Center for Policy Entrepreneurship agrees that now is the time for investment.

Many analysts also believe that the new energy economy could be the driver to pull the world's economy out of recession.

"Today, rather than viewing solutions to environmental problems as an impediment, many see new solutions as an economic opportunity that can create jobs and stimulate spending and investment," said Spiros Protopsaltis, president of the center.

More than \$5 billion in venture capital was invested in clean energy during 2007, representing nearly one-fifth of all venture capital investment in the United States and Europe -- an 18% increase since 2000.

Job growth in green or renewable energy can be seen in six areas, and -- with the right training -- could push unemployment down significantly during 2009.

"Many displaced blue collar workers can be easily trained to transition into green collar positions," Protopsaltis said. "Electricians, plumbers, mechanics, welders and other blue collar employees who have lost their jobs can be trained for retrofitting energy inefficient buildings with new energy saving devices, building and repair of carbon reducing automobiles, and designing, building and maintenance of wind turbines."

A 2008 report by the U.S. Conference of Mayors found that most jobs related to wind infrastructure will be manufacturing jobs in plastics, rubber and metals, while jobs in solar industry will be more high tech.

According to the American Solar Energy Society, renewable energy industries provide more than 8.5 million jobs in the United States and generate \$970 billion in revenue.

The National Renewable Energy Laboratory is expecting the alternative energy sector to grow by 30 percent this year -- and for many years to come. In order to keep the country on track to meet a goal of supplying 20% of energy demands through alternative sources by 2030, the infrastructure for both solar and wind will have to grow, said George Douglas, media relations manager for the national lab.

"While we can't predict what the new administration will do, the secretary of energy nominee, Steven Chu, is a lab director, a scientist," he said. "We feel that Dr. Chu will bring more focus on science and on the role of the national laboratories."

While NREL focuses on all kinds of renewable energy, the largest sector of its research involves increasing the country's solar and wind capacity to reduce dependence on foreign sources of energy.

"I can't see that interest decreasing," he said. "It's not just about high fuel prices -- it's about concern



for the environment, it's about energy security."

While the credit crisis is affecting the rate of new development, wind energy experts are expecting a banner year.

For instance, the largest operating wind power operation, the FPL energy 736-megawatt Horse Hollow Wind Farm, is going to have competition. An even larger wind farm is scheduled to go online during mid-2009, with a total capacity of 781.5 megawatts.

Wind power has been the second-largest source of new U.S. power generating capacity for the past five years -- and experts say that trend will continue. Measured by market share, wind provided 35% of all new generation during 2007 and 2008.

The solar and wind energy industries are placing their hopes with President-elect Barack Obama. His policies will "signal a welcome shift for renewable energy technology," said Shawna Seldon, spokeswoman for American Wind Energy Association.

Obama's policies include: establishing a national renewable electricity standard with a target of generating at least 25% of the nation's electricity from renewables by 2025; and a near-term target of 10 percent by 2012. Obama also will propose legislation to develop a high-voltage interstate transmission highway for renewable energy.

States will strengthen their renewable energy standards -- or implement them for the first time during 2009. Colorado's standard is 20% by 2020.

Other big industry changes include the concept of "community" projects. The market is opening opportunities for projects owned by farmers, ranchers, local investors or public entities -- instead of utility companies.

The fledgling industry also will have to develop wind turbine standards, and it is working with the Occupational Safety and Health Administration to develop safety guidelines.

AWEA expects to finalize standards for small wind turbines for federal investment credits for homeowners and small businesses that purchase wind systems.

Owners of small wind systems with 100 kilowatts of capacity can receive a 30% tax credit to offset the cost of the installation. For homes, the credit is limited to the lesser of \$4,000 or \$1,000 per kilowatt of capacity.

The industry is lobbying to remove the limitation.

Source: The Colorado Springs Business Journal