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BRIEFING

US power grid supply chain restrictions: What we know so far

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President Trump's executive order proposing to prohibit the installation of broad classes of foreign-sourced components and equipment in the US bulk power system represents a potentially sweeping new supply-chain restriction for the US power sector. However, its practical reach and consequences will depend heavily on forthcoming administration actions.

The executive order[1] was issued on August 26, 2026. Specifically, the executive order proposes to prohibit the acquisition, importation, transfer, or installation of any foreign-produced "bulk-power system electric equipment" sourced from a "Covered Foreign Entity."

Key issues

1. The executive order covers countries and persons subject to a US arms embargo or sanctions regime, as well as other countries and entities whose conduct is deemed detrimental to US national security.
2. The equipment subject to potential prohibition includes virtually anything that may be used in the US transmission grid and could also extend to power generation and storage facilities.
3. While the order does not apply to transactions "initiated" before August 27, it is unclear what qualifies as "initiated", and whether projects facing "rip and replace" orders will receive indemnification or relief.
4. Implementation and enforcement are largely delegated to the Secretary of Energy, who must issue procedural and substantive regulations by Christmas Eve.

[1] Exec. Order No. 14,420, 91 Fed. Reg. ___ (Aug. 26, 2026) (the "executive order").

Coverage – materials and foreign entities

A Covered Foreign Entity includes a country –or any person owned by, controlled by or subject to the jurisdiction or direction of a government of a foreign country – that is subject to a US arms embargo or sanctions regime, as well as any other country or entity determined to be engaged in conduct that is detrimental to US national security.

The equipment covered includes a wide array of components and systems enumerated in the executive order and extending to virtually all of the physical works that comprise the US transmission grid. It also conceivably includes all power generation and storage facilities. This equipment is subject to potential prohibition if it is used on any part of the bulk-power system, described in the order to include transmission facilities of 69 kV and higher voltage, and all generation necessary for reliability.

The executive order does not apply to a "transaction" (the acquisition, importation, transfer or installation of covered foreign-produced bulk-power system electric equipment) that was "initiated" before August 27, 2026. The meaning of "initiated" is unclear, as the term is not defined in the Executive Order, and the extent to which a transaction must be documented or closed to be deemed to have been initiated by the August 27 date is not discussed.

Implementation

Implementation and enforcement of the executive order are delegated largely to the Secretary of Energy. However, the Secretary is directed to collect information from and coordinate actions with at least seven other enumerated federal executives, and to consult with "any" other executive officials the Secretary deems appropriate. The most likely office within the Department of Energy to lead this initiative is the Office of Cybersecurity, Energy Security, and Emergency Response. Its director is an administration appointee.

The Secretary may direct the timing and manner of the cessation of prohibited transactions, order the replacement of equipment, adopt rules and regulations, and exercise all other powers granted to the President by the International Emergency Economic Powers Act, which could include blocking imports and freezing the use of assets.

Within 120 days of the executive order's issuance (that is, by Christmas Eve), the Secretary must issue procedural and substantive regulations. No Federal Register or other notice seeking comments or specifying any comment deadline, and no formal process guidance has been released as of the time of publication. Within 270 days of the executive order's issuance, revised Federal Acquisition Rules are to be adopted to apply the order to federal power system procurement actions.

Unknowns

In addition to the breadth of the equipment to which the Executive Order applies, and the uncertainty of when any particular transaction might be deemed to have been "initiated," the order leaves numerous specifics open.

The Secretary may grant exemptions and may pre-qualify the use of some covered equipment. The Secretary may "negotiate" measures to "mitigate concerns" raised in the executive order. The Secretary may also approve or exempt classes of transactions that may otherwise be prohibited. No legal standard or procedure is established for any of these measures, and the Secretary is under no obligation to provide any relief from the specified prohibitions.

While local distribution facilities are expressly excluded from equipment prohibition, several of the executive order's provisions nonetheless seem to apply to distribution facilities. In addition, equipment includes "small generators," although many small generators operate at the distribution level and are not directly interconnected to the bulk-power system.

The Federal Energy Regulatory Commission (FERC) is delegated responsibility for oversight of the reliability of the bulk-power system under the Federal Power Act (FPA), which defines the term "bulk-power system" differently from the executive order.[2] FERC is not mentioned in the order, and FERC's FPA jurisdiction does not appear to be affected by the order. The extent to which FERC actions under the FPA might conflict with the Secretary's future directives under the executive order is entirely unknown.

The disqualification of broad classes of equipment – such as widely deployed China-produced solar, wind and transmission components – could cause generation and transmission projects to default under interconnection agreements, wholesale market rules, power purchase agreements and financing and tax equity agreements. The executive order does not address these issues, nor does it signal whether indemnification or relief from federally controlled deadlines –such as under regulated wholesale power and transmission tariffs –will be available to projects that are subject to "rip and replace" orders and/or that incur unexpected costs or delays to project development and in-service milestones resulting from the order.

Past as prologue

In May 2020, the prior Trump administration issued a related executive order that similarly proposed procedures to ban the installation of some foreign-sourced equipment in the bulk-power system. The 2020 order also proposed to permit the implementation of a "rip-and-replace" regime under which already-installed, prohibited components could have been subject to removal from the bulk-power system. The 2020 order was never fully implemented and was withdrawn in the opening days of the subsequent administration without being replaced or re-adopted. It remains to be seen whether the current executive order will similarly fall short of full implementation, or whether forthcoming Department of Energy actions will give its restrictions practical effect.

[2] See, 16 U.S.C. § 824o.

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