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BROWN, CRUZ INTRODUCE NEW LEGISLATION TO BOLSTER U.S. TRANSFORMER SUPPLY CHAINS AND PROTECT AMERICAN ENERGY INDEPENDENCE

Legislation Would Ensure Department of Energy Policy Doesn't Hurt Domestic Production of Transformers, a Key Input in Energy Grids; Brown-Cruz Bill Proposes New Standard that Promotes Efficiency While Strengthening U.S. Transformer Production

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WASHINGTON, D.C. – Yesterday, U.S. Senators Sherrod Brown (D-OH) and Ted Cruz (R-TX) introduced new legislation – ***The Distribution Transformer Efficiency & Supply Chain Reliability Act of 2024*** - that would bolster the U.S. transformer supply chain, an important part of energy grids, by setting new realistic energy efficiency standards that help stabilize domestic transformer manufacturing to meet increasing demand without exacerbating existing supply chains or undermining American steel production.

In January 2023, the U.S. Department of Energy published a proposed rule that risks exacerbating existing supply chain challenges for distribution transformers and shortages of related components. If finalized, the proposed rule would require all distribution transformers to shift from the industry standard grain oriented electrical steel (GOES) cores to amorphous cores, to the detriment of U.S. steel manufacturers, including Ohio-based Cleveland-Cliffs. GOES currently accounts for more than 95 percent of the domestic distribution transformer market and manufacturers' production lines are tooled for designs that use GOES. Furthermore, such a recalibration of the supply chain will further delay manufacturing timelines – currently estimated to be a minimum of 18 months to two years.

Moving to amorphous cores, as proposed by Department of Energy, would disadvantage U.S. manufacturers and risk adding significant vulnerability to the nation's grid, and threaten our national security.

The *Distribution Transformer Efficiency & Supply Chain Reliability Act of 2024* would prevent the new Department of Energy rule from taking effect and instead create a new standard that provides increased energy efficiency of transformers at levels that preserve market opportunities for GOES as well as amorphous.

"A strong domestic supply of transformers is crucial to our electric grid and our energy independence. We need to meet increasing demand for transformers, while keeping this critical supply chain in the U.S. and making sure the Department of Energy gets it right," said Brown. **"That's why we introduced this bill with a new standard that supports American jobs and our energy independence."**

"The Department of Energy's proposed rule is a misguided effort to improve efficiency. We all agree that efficient energy is a good thing that benefits consumers, but by effectively forcing the distribution transformer industry to change the type of steel it uses almost overnight, Department of Energy's rule would actually jeopardize electricity distribution for millions of Texans and Americans, with potentially disastrous results during extreme weather. As more and more people call Texas home, we need a reliable and affordable supply of distribution transformers so that new homes, businesses, and industrial facilities can connect to reliable and affordable energy. I'm proud to work with Sen. Sherrod Brown in a bipartisan manner to correct this," said Cruz.

In addition to Brown and Cruz, original co-sponsors include Senators Joe Manchin (D-WV), Bill Hagerty (R-TN), John Fetterman (D-PA), Pete Ricketts (R-NE), Bob Casey (D-PA), Marco Rubio (R-FL), Kyrsten Sinema (I-AZ), Todd Young (R-IN), Jon Tester (D-MT), and Ted Budd (R-NC).

This bill is supported by the National Rural Electric Cooperative Association, National Electrical Manufacturers Association, Edison Electric Institute, National Association of Home Builders, Leading Builders of America, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW Local 3303, UAW Local 4104, Cleveland-Cliffs, and Ohio's Electric Cooperatives.

"The domestic production of Grain Oriented Electrical Steel (GOES) is critical to America's electric grid reliability and, by extension, its national and economic security. Continued production of and investment in GOES by Cleveland-Cliffs requires common sense energy policy that promotes efficiency and maximizes utilization of domestically produced GOES. Any outcome that would make the grid reliant on Amorphous Metal that is either imported or produced from imported ingots would be disastrous for the United States. Senator Brown's *Distribution Transformer Efficiency & Supply Chain Reliability Act of 2024* balances the need for continued transformer efficiency gains while preserving utilization of advanced, highly efficient electrical steels produced in Ohio and Pennsylvania," said Lourenco Goncalves, Chairman, President & Chief Executive Officer of Cleveland-Cliffs Inc.

"This legislation is a bipartisan antidote to Department of Energy's unworkable proposal to rapidly tighten transformer efficiency standards, which would exacerbate the already long lead times electric cooperatives face to obtain distribution transformers. The bill would allow for the adoption of an updated standard over a more realistic timeframe while ensuring the appropriate supply of grain-



"We appreciate Senators Brown and Cruz responding to the electroindustry's call to prioritize and strengthen our distribution transformer supply chains," said Debra Phillips, President and CEO, NEMA. **"Distribution transformers are essential to delivering electricity to consumers everywhere and we're currently staring at backlogs of two years or more. This bipartisan group of senators understands the record high demand and ongoing supply chain challenges facing manufacturers and are responding by providing legislative direction and much-needed regulatory certainty."**

"NAHB commends Sens. Brown and Cruz for their leadership in bringing forward this strong bipartisan legislation to help ease the severe shortage of distribution transformers that is delaying home building projects and raising housing costs. This legislation will give producers flexibility in the manufacturing process to increase the efficiency of distribution transformers while also ramping up production to meet historic demand and help address the nation's housing affordability crisis," said Alicia Huey, Chairman of the National Association of Home Builders.

"Distribution transformers are vital to our nation's energy grid and are essential for delivering the reliable and resilient electricity that powers our economy and our country. Significant and ongoing supply chain challenges are impacting the transformer production process, limiting the availability of transformers and threatening electric reliability. EEI and our member electric companies commend Senators Brown and Cruz for their leadership in introducing the Distribution Transformer Efficiency & Supply Chain Reliability Act of 2024. This important legislation would establish a stronger and more sustainable domestic market for high-efficiency distribution transformers, and we urge Congress to act quickly to enact this bill into law," said EEI President and CEO Dan Brouillette.

"APPA greatly appreciates Sen. Cruz and Sen. Brown introducing this legislation that pushes back on the January 2023 notice of proposed rulemaking (NOPR) offered by Department of Energy for distribution transformer standards. The NOPR, as currently drafted, would severely exacerbate the ongoing supply chain crisis and severely hamper the domestic production market. This legislative effort maintains domestic grain-oriented electrical steel production, which accounts for over 95% of the cores in distribution transformers that are used by public power utilities to keep the lights on," said Desmarie Waterhouse, Senior Vice President of Advocacy and Communications & General Counsel, American Public Power Association.

The *Distribution Transformer Efficiency & Supply Chain Reliability Act* builds upon another bipartisan Senate effort from last June when Senator Bill Hagerty (R-TN), Cruz and Brown sent a bipartisan [letter](#) to Department of Energy Secretary Jennifer Granholm signed by an additional 13 Democrats and 32 Republicans.

Background on the legislation is available [here](#).

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