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Energy Update

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Executive Order 14421: New Restrictions on Foreign-Produced Bulk-Power System Equipment

On August 26, 2026, the White House issued Executive Order 14421, *Declaring a National Emergency to Secure the United States Bulk-Power System*, prohibiting certain transactions related to the purchase of equipment for the bulk-power system. The Executive Order was promulgated under the authority of the *International Emergency Economic Powers Act*, the *National Emergencies Act*, and 3 U.S.C. Section 301 (the "Executive Order").

The Executive Order covers generation facilities, energy storage systems, facilities necessary to operate the transmission network, transmission lines rated at 69 kV or above, and control systems, but it does not include facilities used in local distribution. The Department of Energy must publish formal rules implementing the Executive Order within 120 days of its issuance.

Prohibited Transactions

The Executive Order prohibits the importation or acquisition of any bulk-power system equipment manufactured by a Covered Foreign Entity that poses an undue risk of "sabotage, subversion, unauthorized access, malicious remote action, or supply disruption" or otherwise poses a risk to national security. Covered Foreign Entities include countries or persons subject to an arms embargo or sanctions regime under the *International Traffic in Arms Regulations*, such as China, Iran, Russia and Venezuela, among others. The Secretary of War (formerly, the Secretary of Defense), the Director of National Intelligence and Assistant to the President for National Security Affairs may also designate additional entities as Covered Foreign Entities.

The Executive Order further grants the Secretary of Energy the discretion to impose restrictions on the continued use of foreign-manufactured bulk-power system equipment installed prior to its issuance. These restrictions may include isolating, disconnecting, replacing, or removing such equipment. The Secretary may also designate certain equipment or vendors as exempt from the Executive Order's restrictions.

Updates to the FAR

The Executive Order directs the Federal Acquisition Regulatory Council to develop revisions to the Federal Acquisition Regulation (FAR) to address national security risks in Federal procurement concerning energy infrastructure and to prioritize U.S.-manufactured infrastructure.

Analysis

The Executive Order reflects long-standing concerns about the security of the bulk-power supply system against maligning foreign influence. These concerns are driven by evidence of threats from foreign countries, particularly China, Iran and Russia, targeting critical infrastructure, including the grid, through cyber intrusions and supply chain vulnerabilities.

The Executive Order builds upon existing legislation aimed at banning national security risks from foreign manufacturers, including risks to the bulk-power supply system. For instance, the *Secure Equipment Act of 2021* required the Federal Communications Commission ("FCC") to ban Huawei, ZTE, Hytera, Hikvision, Dahua and Kaspersky products, among others. In July 2026, the FCC added foreign-produced power inverters to its Covered List of banned products; these inverters enable solar panels to connect to the grid.

According to the *World Energy Investment 2026* report published by the International Energy Agency, capital flows to the energy sector are expected to reach $3.4 trillion in 2026, led by China at approximately $940 billion, including $173 billion allocated to grid technology and energy storage. We note that as reported by the United Nations Conference on Trade and Development's *World Investment Report for 2026*, foreign direct investment in the United States for 2025 decreased by 2.3%. The Executive Order may further influence the trajectory of foreign direct investment from China or other countries.

It is anticipated that the Executive Order's restrictions will create the greatest pressure in an already strained market for power transformers, driven by the demand for digital infrastructure. By providing that a list of approved foreign vendors may be designated, the Executive Order encourages the United States and its partners to develop trusted supply chains. However, doing so will take time and considerable investment.

FOR MORE INFORMATION

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