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CLIENT ALERT

Executive Order 14420 Restricts Foreign Equipment in the U.S. Bulk-Power System

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On August 26, 2026, President Trump signed Executive Order 14420,[1] which declares a national emergency under the International Emergency Economic Powers Act and empowers the Secretary of Energy and Department of Energy ("DOE") to restrict certain transactions involving foreign-produced equipment used in the bulk-power system and to impose conditions on equipment already installed.[2] Affected property includes a broad range of items used in bulk-power system substations, control rooms, and generation stations, as well as associated software, firmware, remote-access capabilities, lifecycle maintenance, and supply-chain dependencies. EO 14420's scope and ability to effectively tackle concerns with both the electric grid and national security will depend on forthcoming DOE

1 Exec. Order No. 14420, available at https://www.whitehouse.gov/presidential-actions/2026/08/declaring-a-national-emergency-to-secure-the-united-states-bulk-power-system/.

2 EO 14420 defines "bulk-power system" as the facilities and control systems necessary for interconnected transmission networks and generation needed to maintain reliability, expressly including transmission lines rated at 69 kV or more but excluding local distribution facilities.

implementing regulations, which are due by the end of 2026. In the meantime, stakeholders should begin to assess their exposure and develop a plan of action, including for equipment already in use.

The Contours of EO 14420

EO 14420 prohibits the acquisition, importation, transfer, or installation of foreign-produced bulk-power system electric equipment in transactions "initiated" after August 26, 2026. This prohibition involves property under U.S. jurisdiction in which a foreign country or national has "an interest in a contract for the provision of the equipment," and when the Secretary of Energy determines that:

1. The equipment or its critical components, software, firmware, digital services, maintenance services, or remote-access capability is designed, developed, manufactured, or supplied by persons subject to the jurisdiction or direction of a "Covered Foreign Entity";[3] or

2. The transaction poses an undue risk of sabotage, subversion, unauthorized access, malicious remote action, supply disruption, catastrophic effects on critical infrastructure or the economy, or another unacceptable national-security risk.

EO 14420 is not limited to prospective transactions and may affect existing equipment. DOE may impose conditions on the continued use, operation, maintenance, or servicing of foreign-manufactured or operated bulk-power equipment acquired or installed before August 26, 2026, including requirements to identify, isolate, monitor, secure, disconnect, replace, or remove such equipment. In setting conditions, DOE must consider effects on reliability and safety, the availability of secure replacements, and continuity of essential service, and may establish phased compliance timelines. DOE may also negotiate mitigation measures, license transactions that may otherwise be prohibited, and establish prequalification procedures and lists of approved equipment and vendors. Finally, EO 14420 directs DOE to publish implementing rules or regulations within 120 days (approximately December 24, 2026), which may identify covered countries or persons, equipment warranting scrutiny, and licensing procedures.

State-Level Comparison

Stakeholders may find valuable EO 14420's similarities to Texas's 2021 supply-chain legislation, the Texas Lone Star Infrastructure Protection Act ("LSIPA").[4] Notably, EO 14420 shares a supply-chain and remote-control security objective. Both EO 14420 and LSIPA scrutinize foreign ownership and control and restrict transactions that could expose critical infrastructure to unauthorized access. However, the two frameworks differ in scope and mechanism.

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3 "Covered Foreign Entity" is defined by reference to countries and persons subject to a United States arms embargo or sanctions regime under 22 C.F.R. § 126.1, or that the Secretary of Energy, in interagency consultation, has determined are engaged in conduct detrimental to U.S. national security or foreign policy.

4 Lone Star Infrastructure Protection Act, 87th Leg., R.S., S.B. 2116 (2021) (codified as Tex. Bus. & Com. Code § 113.001, et seq. and as Tex. Gov't Code § 2274.0101, et seq.), available at https://capitol.texas.gov/tlodocs/87R/billtext/pdf/SB02116F.pdf.

LSIPA is broader than just the bulk-power system. It applies to communications infrastructure, cybersecurity systems, the electric grid, hazardous waste treatment systems, and water treatment facilities. LSIPA prohibits Texas business and governmental entities from knowingly entering an agreement (the “agreement-and-knowledge test”) relating to critical infrastructure in the state when the agreement would grant the counterparty direct or remote access to or control of that infrastructure (excluding access specifically allowed for product warranty and support), and the counterparty meets specified foreign-ownership, control, or headquarters criteria connected to China, Iran, North Korea, Russia, or another country designated by the Texas Governor.

By contrast, EO 14420 expressly covers 69-kV-and-above bulk-power facilities nationwide while excluding local distribution. The Secretary of Energy’s risk-based determination in EO 14420 contrasts with LSIPA’s agreement-and-knowledge test. Finally, unlike LSIPA, EO 14420 provides mechanisms for mitigation, licensing, prequalification, and conditions on already-installed equipment. For companies operating in Texas, it will become imperative to navigate both regimes as compliance becomes more complex.

Practical Steps for Industry Participants

Although the full contours of EO 14420 await DOE rulemaking, energy companies, equipment suppliers, project developers, and investors should begin to inventory bulk-power equipment and identify foreign-produced equipment. Analysis of existing contracts should follow, e.g., review change-in-law provisions, and representations and warranties, to determine whether they are flexible enough to accommodate any potential compliance issues. Further, affected parties should factor the DOE’s forthcoming implementing regulations into all post-August 26 transactions, and track and/or participate in the DOE’s rulemaking proceeding later this year.

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