



THE CORE COALITION
SUPPORTING COMPETITIVE AMERICAN MANUFACTURING

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Right Intent; Wrong Solution

BUDA, TX--- The Core Coalition strongly condemns the tariffs announced on Friday, August 15, 2025 on grain oriented steel laminations, stacked cores and wound cores (under Harmonized Tariff numbers 8504.90.9634, 9638, and 9642, respectively). These ill-considered tariffs, which are on materials that are essential for the production of transformers, will stifle domestic manufacturing of these products.

The Trump Administration has a stated goal to encourage revitalization of domestic manufacturing. This goal cannot rationally be squared with imposing heavy taxes on essential raw materials for transformers that are not available domestically. For example, grain oriented electrical steel (GOES) is currently available from only one supplier in the US, Cleveland-Cliffs, which does not have the capacity to fully supply the domestic transformer market. *(Note: The Core Coalition currently estimates US GOES consumption at 239 thousand metric tons for 2024 compared to an estimated maximum production capacity for Cleveland-Cliffs of 220 thousand metric tons, the majority of which is regular grain oriented (RGO).)*

Not only is Cliffs' capacity inadequate; its product offerings do not square with the technical specifications of the developing transformer market, which requires the higher-grade (HiB) GOES to deliver improved transformer efficiency to power the modern electric grid that the vastly increasing demand requires.

US based transformer manufacturers are reporting 12 to 36 month lead times for lower-power distribution transformers. Higher capacity power transformer lead times in the US are even longer, including small power transformers required for the rapidly expanding electrical grid in support of the data center and AI industries. **These new tariffs we believe will result in an inevitable delay for the AI industry's development in the US, risking a shift away from the US as a leader in this field.**

Studies by the Department of Commerce have previously identified that **the US has less than 50% domestic production capacity to meet domestic demand for power transformers used in high-voltage transmission lines.** In the last twelve months, companies such as Hyosung, GE Vernova and Siemens have announced plans to increase production of power transformers in the US, but the announced capacity increases will still not meet anticipated demand. How will we secure power transformers, and their components, to reinforce and upgrade the resiliency of The Grid, often described as a national security issue? The sole US GOES producer simply does not have the capacity to support the HiB demanded by power transformers. Complicating the supply situation are very high and very expensive barriers for

entry into GOES production. Once approved, from engineering to execution a new GOES production facility could take three to five years to achieve normalization.

By world standards, the price of grain oriented from the sole US producer is uncompetitive, up to 60% more expensive, due to production facilities built in the 1950s. Simply increasing tariffs to cover the higher cost in the US is NOT an effective policy, in our opinion. Tariffs are a tax and don't fix the fundamental problem. Cleveland-Cliffs needs grants and support to reduce its high production costs.

Mr. Lewis Leibowitz, counsel to The Core Coalition, questioned "Who will pay for these tariffs? US importers will pay them and will pass them on to consumers in the transformer industry. Eventually, electric utilities and their customers will foot the bill. These increased costs will raise the price of electricity and substantially increase modernization costs for the modern electric grid, which will benefit all Americans. The tariffs will slow this development down and burden US manufacturers, farmers and consumers."

Dr. Gwynne Johnston of The Core Coalition stated "The increase from the previous 25% tariff under USMCA agreements to the new 50% tariff will result in an estimated 12% to 18% increase in selling price for distribution transformers, the largest single consumer of such products."

The Core Coalition urges The Trump Administration to reconsider these damaging and counterproductive tariffs. Becky E. Hites of The Core Coalition noted "Taxing goods that are essential to downstream production but are not made here in adequate quantities (or at all) cannot serve the goal of bringing transformer production back to US soil. Tariffs on GOES and its downstream transformer products are clearly not the way to rebuild domestic transformer capacity. The answer is to make the US a globally competitive market for transformer production."

The Core Coalition was formed in 2020 to represent companies active throughout the transformer industry. The Coalition supports the preservation of a competitive market in the US for these products, which depends on U.S. producers continued access to imports. Learn more about The Core Coalition at <https://thecorecoalition.com>.

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