



**THE CORE COALITION**  
SUPPORTING COMPETITIVE AMERICAN MANUFACTURING

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## **USA Transformer Industry Limited By A Lack Of US Based Electrical Steel Supply**

BUDA, TX--- US-Mexico-Canada (USMCA) review hearings begin today in Washington, DC. The Core Coalition, a group committed to upgrading and expanding the North American electric grid, supports serious reconsideration and revision of the tariffs implemented earlier this year on electrical steel products. The high tariff policy on grain oriented electrical steel (GOES) and transformer components (laminations, stacked cores and wound cores) has been, and will continue to be, an insurmountable hurdle to reshoring production of these critical materials that are required as part of an adequate supply chain supporting the reshoring production of transformers in the USA, in our opinion.

In 2024, The Core Coalition estimates that North American GOES production of 150,000 metric tons was well short of the 448,000 metric tons consumed in North America. Since 2016, there has been only one North American producer, which is based in the United States.

Based on our market and data sources, we estimate that only about 60% of USA GOES consumption was supplied by the US based producer. Moreover, 35% of the consumption was in the form of imported laminations, stacked cores and wound cores, all of which was made from non-North American GOES. These figures do not include GOES imported in the form of fully assembled transformers. The bottom line: US consumption of GOES is significantly higher than domestic production.

Nippon Steel has announced it will produce GOES at its USS/Big River Steel (BRS) facility based in Osceola, AR. Production could start late in 2028 (these projects require long lead times to complete) and is expected to reach 108,000 metric tons per year when fully ramped-up in 2030.

Based on recent announcements of some \$3 billion in transformer production increases to meet increased projected demand from data centers, AI and other electricity demands, The Core Coalition projects the GOES required to support transformer production will need to increase more than 80% over the next decade.

GOES is the only major transformer component that is in short supply.

The average age of transformers supporting the current grid is over 45 years, five years past the planned 40 year life performance.

A 2023 Department of Commerce report stated that the US transformer industry can supply 90% of distribution transformer demand but LESS THAN 50% of power transformer

requirement. *(NOTE: Most smaller US distribution transformer manufacturers rely on supply from five independent core manufacturers located in Canada or Mexico.)*

Even with the core imports from Mexico and Canada, the US based transformer market is reporting one-to-three year 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.

Dr. Gwynne Johnston, Co-Founder of The Core Coalition, stated “Transformers, and the GOES steel used to make them, remain a critical part of both national security and development programs. We need to protect and grow domestic transformer production, and GOES production must increase dramatically to protect the transformer supply chain. To encourage rapid increases in transformer production, we must do three things: (1) eliminate tariffs on GOES until North American production increases; (2) permit imports from friendly sources of cores and laminations from other North American sources by eliminating barriers to trade in these essential components; and (3) support rapid expansion of distribution and power transformer production. Tariffs on imported GOES, cores and laminations are detrimental to growth in transformer production, which should be our highest priority.”

Becky E. Hites, Co-Founder of The Core Coalition, noted “The USMCA renewal process gives us a chance to highlight these important issues. Hearings have been scheduled to allow lamination and core manufacturers to provide feedback on the effect the recent tariffs are having on their ability to supply their customers, the transformer manufacturers. With our expected 10-year annual demand growth forecast exceeding 5% for transformers, in order to support the required expansion of electricity production we need ‘all hands on deck’. Tariffs on GOES won’t get us where we need to be; expansion of transformer production should be encouraged without tariffs, so that investment in North American transformer production can take place. Increased USA based GOES production over the next decade will enable increased USA based lamination and core production, but until the steel supply is available, tariffs just retard USA based 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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