

August 13, 2021



*Via Electronic Submission*

Amanda Lefton  
Director  
Bureau of Ocean Energy Management  
Department of the Interior  
1849 C Street NW  
Washington, D.C. 20240

Re: **Alliance for American Manufacturing Comments on BOEM's Proposed Sale Notice & Request for Comments - Atlantic Wind Lease Sale for Wind Power on the Outer Continental Shelf in the New York Bight [Docket No. BOEM-2021-0033]**

Dear Director Lefton:

The Alliance for American Manufacturing (AAM) respectfully submits the following comments on the Bureau of Ocean Energy Management's (BOEM) June 14, 2021 Proposed Sale Notice; Request for Comments - Atlantic Wind Lease Sale for Wind Power on the Outer Continental Shelf in the New York Bight [Docket No. BOEM-2021-0033]. Specifically, AAM welcomes the opportunity to comment on BOEM's consideration of mechanisms that would incentivize capital investments in and expansions of productive capabilities of U.S. manufacturing sectors necessary for the development of renewable energy production facilities in the Outer Continental Shelf (OCS).

AAM is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations.

AAM stands ready to work with BOEM to realize President Biden's aspirations to create millions of good union jobs as the nation moves "ambitiously to generate clean, American-made electricity, while building the infrastructure to electrify major sectors of our economy, meet the existential threat of climate change,"<sup>1</sup> and, at the same time, "power new demand for American products, materials, and services."<sup>2</sup>

### **Domestic Wind and Domestic Jobs**

Just days after taking office, President Biden announced the Administration's mission of "investing [in] and building a clean energy economy that creates well-paying union jobs" through the generation of 30 GW of offshore wind energy by 2030. See Executive Order 14008 (January 27, 2021). The President further underscored this priority on March 29, 2021, stating that this industry will create "tens of thousands of good-paying, union jobs, with more than 44,000 workers employed in offshore wind by 2030 and nearly 33,000 additional jobs in communities

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<sup>1</sup> <https://joebiden.com/clean-energy/>

<sup>2</sup> <https://joebiden.com/made-in-america/>

supported by offshore wind activity.” See White House Fact Sheet: “Biden Administration Jumpstarts Offshore Wind Energy Projects to Create Jobs,” March 29, 2021.<sup>3</sup> We appreciate the Administration’s initiative and its promise to rely on American manufacturing in this burgeoning industry. Indeed, the steel industry is well-positioned to play a key role in the buildout of our nation’s offshore wind resources, as are downstream fabrication assets in the United States.

In its June 14 request for comments and proposed sale notice, BOEM requested comments on possible mechanisms “that would incentivize a durable, domestic supply chain conducive to prompt and orderly development of the Lease Area and renewable energy development on the OCS.” To that end, AAM urges BOEM to exercise its broad discretion under the Outer Continental Shelf Lands Act (OCSLA) to require through lease and plan terms, conditions and stipulations the utilization of domestically sourced building materials (such as steel) for the fabrication of offshore facilities and accompanying infrastructure. As explained below, such an interpretation is clearly supported by the requirements of OCSLA’s subsection 8(p)(4) and the broad discretion afforded to the Secretary to interpret those criteria.

Of critical importance, public opinion research has consistently shown that Americans overwhelmingly support “Buy America” policies.<sup>4</sup> In fact, according to a survey of 2020 general election voters, 80 percent indicated their support for “requiring that all taxpayer-funded infrastructure projects use American-made goods and materials.” Yet, when presented with opportunities to apply these policies more broadly, voters were even more supportive with 86 percent favoring application to additional products and 84 percent favoring expanded coverage to include energy infrastructure.<sup>5</sup> Moreover, when presented with the option of choosing between the “lowest bidder” or a project “built by American workers, using American-made products,” the choice was clear with 75 percent believing that American-made infrastructure was preferable.<sup>6</sup>

### **Outer Continental Shelf Lands Act Authorities**

Subsection 8(p) of the OCSLA authorizes the Secretary of the Interior, “in consultation with the Secretary of the Department in which the Coast Guard is operating and other relevant departments and agencies of the Federal Government” to “grant a lease, easement, or right-of-way on the outer Continental Shelf for activities ... if those activities ... produce or support production, transportation, or transmission of energy from sources other than oil and gas.”

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<sup>3</sup> Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/29/fact-sheet-biden-administration-jumpstarts-offshore-wind-energy-projects-to-create-jobs/#:~:text=FACT%20SHEET%3A%20Biden%20Administration%20Jumpstarts%20Offshore%20Wind%20Energy%20Projects%20to%20Create%20Jobs,-March%2029%2C%202021&text=In%20his%20first%20week%20in,create%20millions%20of%20new%20jobs> (last accessed on May 13, 2021).

<sup>4</sup> “Findings from a National Survey on Infrastructure and Buy America Policies,” AAM available at [https://www.americanmanufacturing.org/wp-content/uploads/2019/04/2019\\_Slide\\_Deck\\_-\\_Infrastructure\\_and\\_Buy\\_America\\_FINAL.pdf](https://www.americanmanufacturing.org/wp-content/uploads/2019/04/2019_Slide_Deck_-_Infrastructure_and_Buy_America_FINAL.pdf).

<sup>5</sup> *Id* at p. 13

<sup>6</sup> *Id* at p. 10

Subsection 8(p)(4) of the OCSLA sets forth certain requirements that the Secretary “shall ensure” are met. These requirements include, in part: (1) protection of the environment; (2) protection of national security interests of the United States; and (3) a fair return to the United States for any lease, easement, or right-of-way under this subsection.<sup>7</sup>

### ***The Secretary Has Broad Discretion to Interpret OCSLA Subsection 8(p)(4)***

AAM agrees with the Department of the Interior’s Principal Deputy Solicitor’s recent conclusion that the Department has great discretion to interpret Subsection 8(p)(4) of the OCSLA. AAM agrees that § 8(p)(4) of the OCSLA grants the Department a “broad statutory mandate,” reserving for the Secretary discretion as to the manner in which to achieve the requirements enumerated therein. *Secretary’s Duties under Subsection 8(p)(4) of the Outer Continental Shelf Lands Act When Authorizing Activities on the Outer Continental Shelf* (M- 37067) (April 9, 2021).<sup>8</sup>

Although AAM reserves judgment on the Solicitor’s conclusion that Subsection 8(p)(4) – entitled “Requirements” – merely requires a discretionary balancing of several factors,<sup>9</sup> the OCSLA leaves the enumerated requirements, which the Secretary *must* (“shall”) ensure when undertaking activity authorized by § 8(p),<sup>10</sup> undefined, affording the Secretary discretion as to the mechanisms she will employ to satisfy those requirements. Furthermore, AAM agrees with the Department that the regulations implementing Subsection 8(p)(4) “largely reiterate requirements of subsection 8(p) itself, and therefore do not add to the analysis” of how the Secretary should satisfy its requirement, nor does the scant legislative history underpinning subsection 8(p) yield Congress’s intent. M- 37067 at fn 2, 3. Subsection 8(p)(4) is mandatory as to the objective to be achieved, but it leaves the Department a great deal of discretion in deciding how to achieve it.<sup>11</sup>

The Secretary should use her discretion to satisfy various of the Subsection 8(p)(4) requirements via lease and construction and operation plan terms, conditions and stipulations that require the use of U.S. manufactured and fabricated steel and other construction materials for offshore wind energy facilities on the Outer Continental Shelf.

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<sup>7</sup> 43 U.S.C. § 1337(p)(4)(B), 43 U.S.C. § 1337(p)(4)(F), and 43 U.S.C. § 1337(p)(4)(H)

<sup>8</sup> Available at <https://www.doi.gov/sites/doi.gov/files/m-37067.pdf>

<sup>9</sup> See *Almendarez–Torres v. United States*, 523 U.S. 224, 234, 118 S.Ct. 1219, 140 L.Ed.2d 350 (1998) (“[T]he title of a statute and the heading of a section are tools available for the resolution of a doubt about the meaning of a statute.”).

<sup>10</sup> When Congress specifies an obligation and uses the word “shall” in a statute, this denomination usually connotes a mandatory command. *Our Children’s Earth Foundation v. U.S. E.P.A.*, 527 F.3d 842 (9th Cir. 2008), *cert. denied*, 129 S. Ct. 627, 172 L. Ed. 2d 609, 68 Env’t. Rep. Cas. (BNA) 1416 (2008).

<sup>11</sup> *Paraphrasing* Justice Scalia’s opinion in *Norton v. Southern Utah Wilderness Alliance*, 542 U.S. 55 at 66 (2004) (Construing 43 U.S.C. § 1782(c)).

***Imposition of Lease and Plan Terms, Conditions and Stipulations Requiring Use of Domestically Produced Materials Would Satisfy Multiple Subsection 8(p)(4) Requirements***

In fact, it would be rational for the Secretary to employ lease and plan terms, conditions and stipulations requiring the use of materials produced in the United States in order to satisfy the Subsection 8(p)(4) requirements for “(B) protection of the environment,” “(F) protection of national security interests in the United States,” and “(H) a fair return to the United States...”

Indeed, it would be wholly consistent with the administration’s government-wide approach to addressing climate change as an “essential element of United States... national security.” EO 14005 § 101.

On January 27, 2021, President Biden issued Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*. In E.O. 14008, the President affirmed it is the policy of the United States to “lead the Nation’s effort to combat the climate crisis by example—specifically, by aligning the *management of Federal procurement and real property, public lands and waters*, and financial programs to support robust climate action.” E.O. 14008, § 204. (Emphasis added).

Among the directives in E.O. 14008, the President directed the Secretary to “review siting and permitting processes on public lands and in offshore waters to identify to the [National Climate] Task Force steps that can be taken, consistent with applicable law, to increase renewable energy production on those lands and in those waters, with the goal of doubling offshore wind by 2030 while ensuring robust protection for our lands, waters, and biodiversity *and creating good jobs*.” E.O. 14008, § 207. (Emphasis added). It further directed all agencies to “adhere to the requirements of the Made in America Laws in making clean energy, energy efficiency, and clean energy procurement decisions” consistent with Executive Order 14005, *Ensuring the Future Is Made in All of America by All of America’s Workers* (Jan. 25, 2021). E.O. 14008, § 206.

Lease and plan terms, conditions and stipulations requiring the use of domestically produced materials would be the most “immediate, clear, and stable source of product demand” the administration could deploy to “catalyze private sector investment into, and accelerate the advancement of America’s industrial capacity to supply, domestic clean energy” and the “necessary products and materials” thereto, consistent with the Biden Administration’s avowed policy. E.O. 14008, § 204.

***Similar, Longstanding Requirements are Imposed as Terms and Conditions of Federal Financial Assistance Awards***

Similar domestic procurement requirements are imposed as terms and conditions of federal financial assistance awards and various infrastructure financing mechanisms. Coupled with robust product origin standards, these award terms ensure that the benefits of taxpayer investments in public works ripple through entire U.S. supply chains.

These federal assistance domestic content preferences are required both by statute and administration policy. For instance, “Buy America” laws require federal assistance recipients to utilize iron and steel produced in the United States in projects for highways, roads and bridges, projects for public transportation infrastructure, clean and drinking water infrastructure, airport

improvement and passenger rail infrastructure.<sup>12</sup> Even in the absence of express statutory authority, federal agencies have construed broad statutory delegations of authority to impose requirements to “iron, steel and manufactured products” via contractual terms.<sup>13</sup>

Federal agency regulations and policy guidance establish the product origin standards as applied to these laws. For instance, Federal Highway Administration regulations implementing 23 U.S.C. § 313 require that for iron and steel “all manufacturing processes, including application of a coating, for these materials must occur in the United States.” 23 C.F.R. § 635.410(b)(1)(ii). Likewise, the Environmental Protection Agency guidance implementing the “American Iron and Steel” laws established by 33 U.S.C. § 1388, 42 USC 300j-12(a)(4), and various annual appropriations acts, adopts a similarly robust origin standard that benefits an entire supply chain:

“Production in the United States of the iron or steel products used in the project requires that all manufacturing processes, including application of coatings, must take place in the United States, with the exception of metallurgical processes involving refinement of steel additives. All manufacturing processes includes processes such as melting, refining, forming, rolling, drawing, finishing, fabricating and coating. Further, if a domestic iron and steel product is taken out of the US for any part of the manufacturing process, it becomes foreign source material....”<sup>14</sup>

These “Buy America” preferences are imposed as a condition of the federal financial assistance to which they are applied, and implemented as a term and project specification of the assistance awardee’s procurement contract with its project contractor (and flow down to their subcontractors and suppliers). These longstanding federal assistance Buy America preferences establish analogous precedent for potential lease and construction plan terms, conditions and stipulation, demonstrating both the feasibility of such requirements and domestic industry’s ability to accommodate them.

### ***The President Has the Authority to Impose Domestic Materials Requirements on § 8(p) Activities on the Outer Continental Shelf***

While AAM agrees that the OCSLA grants the Secretary ample discretion to satisfy the requirements of Subsection 8(p)(4), allowing her to deploy mechanisms such as lease terms, conditions and stipulations that will “incentivize a durable, domestic supply chain,” the

<sup>12</sup> See for instance, 23 U.S.C. § 313 (highways), 49 U.S.C. § 5323(j) (public transit), 49 U.S.C. § 22905; 49 U.S.C. 50101 (airports), 33 U.S.C. § 1388 (Clean Water State Revolving Fund), 33 U.S.C. § 3914 (Water Infrastructure Finance and Innovation Act), and 42 USC 300j-12(a)(4) (Drinking Water State Revolving Fund).

<sup>13</sup> See for instance, Federal Railroad Administration imposition of “Buy America” requirements on recipients of assistance from the Railroad Rehabilitation and Improvement Financing (RRIF) Program, (Sept. 29, 2010) (“To further address these priorities, FRA will expect recipients of direct loans or loan guarantees under the RRIF Program to agree to use funds provided to them under the RRIF Program to purchase steel, iron and other manufactured goods produced in the United States for the project.”), available at [https://railroads.dot.gov/sites/fra.dot.gov/files/fra\\_net/13987/FRA\\_RRIF\\_Applications\\_092910\\_FR\\_Note.pdf](https://railroads.dot.gov/sites/fra.dot.gov/files/fra_net/13987/FRA_RRIF_Applications_092910_FR_Note.pdf)

<sup>14</sup> Available at <https://www.epa.gov/sites/default/files/2015-09/documents/ais-final-guidance-3-20-14.pdf>.



department and this administration should not overlook the President's authority to direct these requirements on leases of the Outer Continental Shelf. Indeed, notable precedent exists for the president to do just that. BOEM leases of the Outer Continental Shelf already include lease terms mandated by presidential executive order, specifically E.O. 11246, which prohibits employment discrimination and establishes affirmative action requirements for nonexempt Federal contractors and subcontractors.<sup>15</sup>

Article II, § 1 of the United States Constitution provides that "executive Power shall be vested in" the President. Such power gives the President the right, in the absence of an express Congressional declaration to the contrary, to control the terms upon which public lands or property may be sold, leased, or used by private individuals or entities. *United States v. Midwest Oil Co.*, 236 U.S. 459, 35 S.Ct. 309, 59 L.Ed. 673 (1915). Additionally, the President has been delegated "broad-ranging authority" over governmental procurement under various laws including, for instance, the *Federal Property and Administrative Services Act*, 40 U.S.C. 101 et seq. which authorizes the president to "prescribe such policies and directives . . . as he shall deem necessary" for the promotion of an economical and efficient system for procurement and supply." *UAW-Labor Employment and Training Corp. v. Chao*, 325 F. 3d 360, 366 (D.C. Cir. 2003).

A presidential executive order can direct the terms of leases entered into under the OCSLA. In fact, in *Crown Central Petroleum Corp. v. Kleppe*, 424 F.Supp. 744 (1976), a U.S. federal court affirmed that a lessee of a lease agreement entered into under the authority of the OCSLA is a government contractor under the terms of E.O. 11246 and therefore subject to its directives. This proposition, that leases of public lands by the Federal Government are "contracts" and lessees are "contractors" has repeatedly been affirmed by the U.S. Federal Government.<sup>16</sup>

### ***BOEM's Existing Enforcement Mechanisms are Adequate for Violations of Lease and Plan Terms, Conditions and Stipulations***

BOEM's existing enforcement regulations are well-suited to accommodate breaches of lease terms and building plan stipulations requiring the use of U.S. produced materials. Notices of noncompliance issued for violations of lease terms or plan stipulations would afford developers opportunities to correct the noncompliance. 30 CFR § 585.400. AAM believes that existing penalties for failures to remedy breaches of terms and stipulations identified in a notice of noncompliance – cessation orders, lease cancellations, and potential civil penalties – are adequate enforcement mechanisms. 30 CFR § 585.400(d), (f) and OCSLA § 24. 40 U.S.C. § 1350. Furthermore, lease hold and lease interest prohibitions contemplated in BOEM's regulations would apply to such violations of lease terms and grant conditions and would

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<sup>15</sup> E.O. 11246, Equal Employment Opportunity (Sept. 24, 1965) as amended available at <https://www.dol.gov/agencies/ofccp/executive-order-11246/as-amended> .

<sup>16</sup> See for instance, Office of Federal Contract Compliance Programs, notice of proposed rulemaking *Government Contractors, Affirmative Action Requirements; Implementation of Executive Order 11246*, 61 Fed. Reg. 25516 (May 21, 1996) ("The proposed definition of "Government contract" is revised to clarify that covered contracts include those under which the Government is a seller of goods or services, as well as those under which it is a purchaser. This change reflects OFCCP's long-standing interpretation of the scope of the Executive Order, upheld in *Crown Central Petroleum Corp. v. Kleppe* (424 F. Supp. 744 (D. Md. 1976)), that sales by the Government result in covered contracts.

seemingly serve as a strong deterrent to breaches of domestic materials requirements. 30 CFR § 585.106(b)(3).

### **Domestic Sourcing and OCSLA Requirements**

As stated at the outset, AAM recommends that BOEM utilize its broad statutory authority under OCSLA to prioritize the use and consumption of domestic materials in offshore wind projects on the Outer Continental Shelf. Of subsection 8(p)(4)'s required considerations, several are applicable in the case of sourcing domestic materials for future offshore wind development, including those enumerated above; specifically: (1) a fair return to the United States; (2) protection of the environment; and (3) protection of our national security interests.

#### ***Fair Return to the United States***

The nascent offshore wind industry portends enormous economic opportunities for the United States. However, the economic impact posed by investments in renewable energy infrastructure will not be fully realized if domestic materials, and the labor associated with their production, aren't utilized to the fullest extent possible. By most estimates, thousands of tons of steel materials are required for the buildout of an offshore wind facility. Offshore wind requires a combination of steels to support the monopile, towers and blades that comprise an offshore wind turbine. The use of domestic materials as well downstream fabrication assets in the United States is critical to achieving the maximum – and most enduring – economic return on the nation's valuable offshore assets.

The steel mill segment (actual steel production as opposed to finishing and fabrication) of the United States steel sector is a significant generator of employment, labor income value added and tax revenue.<sup>17</sup> The “employment and the industry's purchases of energy, materials, and supplies for the production of steel stimulate output and employment in other sectors of the U.S. economy.” *Id.*

According to data recently published by the American Iron and Steel Institute, “The iron and steel industry directly employs 386,753 workers who earn \$33.55 billion in wages and salaries annually, an average of \$86,736 per year, while generating \$206.65 billion in output.”<sup>18</sup> A 2017 economic analysis found that the industry, both directly, indirectly (through suppliers and services providers) was “responsible for 1.98 million jobs across the nation, paying a total of \$131.26 billion in wages and salaries annually, while generating \$522.59 billion in industry output and \$55.86 billion in federal, state, and local taxes.”<sup>19</sup>

In sum, stipulating the use of U.S.-produced construction materials in any lease agreement and subsequent construction and operations plan will ensure that maximum return to the Government on the lease sale, consistent with BOEM's statutory obligations under §8(p)(4)(H) of the OCSLA.

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<sup>17</sup> See Considine, Timothy J., “Economic Impacts of the American Steel Industry,” University of Wyoming, March 2012.

<sup>18</sup> Available at: <https://www.steel.org/economicimpact/>

<sup>19</sup> Available at: <https://www.steel.org/wp-content/uploads/2020/10/Econ-Impact-Study-Executive-Summary.pdf>

### ***Protection of the Environment***

Utilization of domestically sourced materials for building out future offshore wind facilities would provide greater environmental benefits than sourcing these materials from any other nation. Not only would the carbon footprint shrink due to shorter transit times from domestic construction yards, there is evidence that U.S. steelmakers and downstream fabricators are more environmentally-friendly than their counterparts across the world, including those countries aggressively seeking to dominate global production of clean energy manufacturing through predatory state investments and overcapacity that stifles opportunities for U.S. production and innovation. For instance, a recent study by CRU International that was commissioned by the Climate Leadership Council (CLC), entitled “Leveraging a Carbon Advantage: Impact of a Border Carbon Adjustment and a Carbon Fee on the US Steel Industry” documented that the American steel industry is the cleanest steel industry in the world, is 75 to 320 percent more carbon efficient than global producers and found that “America produces steel while emitting less carbon dioxide than all of our major competitors.”<sup>20</sup>

An analysis previously commissioned by AAM found that U.S. steelmakers spend 80 percent more than their Chinese counterparts per ton of steel to limit air and water pollution levels, equal to an annual subsidy for China’s mills of more than \$1.7 billion.<sup>21</sup> The environmental implications of this disparity between environmental safeguards applied to steelmaking in the United States versus those applied and enforced on steelmaking in China have only worsened since the publication of that report, as China’s share of global steelmaking capacity grew from less than 40 percent in 2009 to approximately 50 percent by 2019.<sup>22</sup> Moreover, China’s share of the world’s total steel production reached an astounding 56.5% by 2020.<sup>23</sup>

As an ever-increasing share of the world’s steel is produced without the environmental safeguards afforded by U.S. law and regulations, the application of a domestic materials preference in OCS leases and construction plans is consistent with the Secretary’s duty to ensure protection of the environment as required by OCSLA § 8(p)(4)(B).

### ***Protection of National Security Interests of the United States***

In EO 14008, President Biden inextricably linked the climate crisis to the national security interest of the United States, announcing the administration’s policy to make “climate considerations ... an essential element of United States foreign policy and national security.” EO 14008 at Sec. 101. To “combat the climate crisis” the President has directed alignment of Federal procurement and real property, *public lands and waters*, and financial programs to “create an “immediate, clear, and stable source of product demand” that will catalyze private sector investment into and accelerate the advancement of America’s industrial capacity to supply, domestic clean energy, buildings, vehicles, and other necessary products and materials.” 14008 at § 204.

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<sup>20</sup> Available at: <https://clcouncil.org/reports/leveraging-a-carbon-advantage-key-findings.pdf?v3>

<sup>21</sup> Available at: <https://www.americanmanufacturing.org/research/an-assessment-of-environmental-regulation-of-the-steel-industry-in-china/>

<sup>22</sup> Data available at: [https://stats.oecd.org/Index.aspx?datasetcode=STI\\_STEEL\\_MAKINGCAPACITY](https://stats.oecd.org/Index.aspx?datasetcode=STI_STEEL_MAKINGCAPACITY)

<sup>23</sup> See <https://www.worldsteel.org/media-centre/press-releases/2021/Global-crude-steel-output-decreases-by-0.9--in-2020.html>



AAM agrees that the climate crisis presents daunting risks for the security of the nation and that American workers and manufacturing are part of the solution. Use of U.S.-produced steel and other construction materials in our nation's energy infrastructure is critical to the United States' aspirations of achieving energy independence and a more secure nation. As the nation seeks to slough its dependence on foreign sources of energy, it should aim to avoid new dependences on imported energy infrastructure necessary for electricity generation and distribution. It is both an economic and national security imperative that America's offshore wind and all other energy infrastructure be produced in the United States.

Federal policies that encourage domestic sourcing of critical infrastructure materials are integral to maintaining a robust industrial base, which is vital to U.S. national security and national preparedness. Much as iron and steel are the foundation of our military and our national defense, the viability and resiliency of our nation's energy infrastructure also depends on the ability to quickly procure quality construction materials. Supporting and encouraging domestic manufacturers and workers through strong procurement preference policies ensures that the United States does not have to rely on potentially hostile trading partners like China and Russia to supply our energy infrastructure construction needs. These same countries have long sought to destabilize our markets with unfair trading practices and, as recently demonstrated, have undertaken more brazen and nefarious interruptions to the nation's energy distribution.

As our manufacturing base has moved outside the United States, the strength of our defense industrial base diminished, making Americans less secure. For example, we are dependent on foreign sources for rare earth minerals critical to everyday consumer and even modern military applications. Meanwhile, our domestic automakers are dependent upon foreign semiconductors, leaving them vulnerable to supply chain crunches – and resultant production shutdowns – as made evident in recent months. The United States should harness its commitment to and investments in renewable energy to bolster U.S. manufacturing capacity and avoid similar dependencies on foreign sources for essential elements of our critical energy infrastructure.

Too much of our manufacturing capacity for energy infrastructure has already been ceded. Take for example the rebuilding process following Superstorm Sandy, which devastated the Mid-Atlantic region nearly a decade ago. Asked to recap the process of rebuilding affected communities, Former Homeland Security Secretary Janet Napolitano pointed to the loss of manufacturing capabilities:

*I'll give you a good example: transformers. You know, utilities use these big transformers to supply power. They are all made overseas. We have lost any domestic production whatsoever. And they're big and they're really expensive and they take a long time to move...After Sandy, we needed transformers and that whole process, I think, fed into some of the delay in getting the lights turned back on. That's just one example that we run into...<sup>24</sup>*

A jointly-commissioned summary report of the U.S. Department of Energy (DOE) and the North American Electric Reliability Corporation (NERC), assessing risks to the U.S. electricity

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<sup>24</sup> Playbook Breakfast video (@ 37:00): <https://www.politico.com/events/2013/03/playbook-breakfast-department-of-homeland-security-10th-anniversary-edition-157570>

generation and distribution infrastructure observed that the “bulk power system is dependent on long supply chains, often with non-domestic sources and links” and determined that the “increased reliance on foreign manufacturers, with critical components and essential spare parts manufactured abroad (e.g. HV transformers)” means the “supply chain itself *represents an important potential vulnerability*.” (Emphasis added).<sup>25</sup> The report recommends that “efforts should be considered to bring more of the supply chain and manufacturing base for these critical assets back to North America.” *Id* at 37.

This is a bipartisan concern, as demonstrated in a national security report written by former Homeland Security Secretary Tom Ridge. The report noted a direct link between “a strong domestic manufacturing sector and America’s ability to prevent, mitigate, recover from, and rebuild quickly in the wake of catastrophic events.” The report concluded, “Revitalizing America’s domestic manufacturing capacity must become a clear and urgent national priority at all levels of government and among industry leaders.”<sup>26</sup>

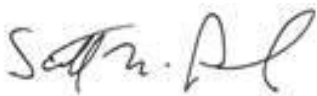
The implications of the lost domestic production capacity for an item essential to the nation’s critical infrastructure are seismic for the U.S. supply chains. For example there is currently only one manufacturer capable of making the electrical steel necessary for power transformers left in the United States.

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AAM applauds the Administration’s continued support of domestic manufacturing and workers, as well as its aspirations to grow U.S. manufacturing capabilities to support offshore wind development and energy generation in U.S. federal waters. As President Biden remarked upon signing his January 25 Executive Order strengthening Buy America provisions:

“American manufacturing was the arsenal of democracy in World War Two, and it must be part of the engine of American prosperity now. That means we are going to use taxpayers’ money to rebuild America. We’ll buy American products and support American jobs, union jobs.”<sup>27</sup>

Sincerely,



Scott N. Paul  
President  
Alliance for American Manufacturing

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<sup>25</sup> See North American Electric Reliability Corporation, “High-Impact, Low-Frequency Event Risk Impact to the North American Bulk Power System,” at page 30 (June 2010) available at <https://www.energy.gov/ceser/downloads/high-impact-low-frequency-risk-north-american-bulk-power-system-june-2010>.

<sup>26</sup> Available at: <https://www.americanmanufacturing.org/wp-content/uploads/2017/02/Homeland-Security-Report.July23.2012.pdf>

<sup>27</sup> Available at: <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/01/25/remarks-by-president-biden-at-signing-of-executive-order-on-strengthening-american-manufacturing/>