

Christian Maurice Bissinger, Valentin Kreilinger and Jakob Lewander

# EU Foreign Policy via Enhanced Cooperation

## Questions and answers on the EU24 loan to Ukraine

On 18 December 2025, EU24 leaders agreed on a €90 bn loan to Ukraine. This Q&A addresses central aspects of the European Council decision, particularly regarding the immobilised Russian assets, the enhanced cooperation, and the EU as a foreign and security policy actor.

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## Summary

At its meeting on 18 December 2025, the European Council opted for joint debt to cover Ukraine's budgetary needs in 2026 and 2027. After the eurozone crisis, the pandemic and the Security Action for Europe (SAFE) scheme in early 2025, this marks the EU's return to joint borrowing. However, the Czech Republic, Hungary and Slovakia are not part of the agreement or the loan guarantees that rely on the EU budget. Nevertheless, the mechanism is firmly anchored in the EU's institutional structures via the enhanced cooperation procedure. This solution was found after the proposal for a reparations loan based on Russian assets faced hurdles and resistance. While the loan does not create a 'new' EU comprising the 24 Member States, it establishes a new framework for progress among a large group of willing countries, while preventing three members from obstructing them.

Adopting a question-and-answer approach, this analysis considers the agreement within a wider political and institutional context. The authors note that, at a critical juncture, while not using the immobilised Russian Central Bank assets, the EU showed new assertiveness and was ready to use tools it had long shunned in its Common Foreign and Security Policy (CFSP).

## About the authors

Christian Maurice Bissinger, M.Sc. in European Affairs, was a trainee at SIEPS between September 2025 and January 2026, Valentin Kreilinger is a Senior Researcher in Political Science at SIEPS and Jakob Lewander is a Researcher in Political Science at SIEPS.

The opinions expressed in this publication are those of the authors.

## Introduction

In recent weeks and months, the evolving debate around the decisions on supporting Ukraine and immobilising the assets of the Russian Central Bank has been a major topic of EU policymaking. Despite significant progress, some necessary legislative steps must still be completed. A previous analysis explored the use of Article 122 TFEU<sup>1</sup>, but unanswered questions regarding the surprise move for joint debt<sup>2</sup> via common borrowing persist. This analysis examines the EU's €90 bn loan to Ukraine from December 2025 and argues that the EU passed the litmus test but faces further ones. By analysing the developments, we demonstrate how the agreement came about and what it means. Our findings not only clarify what alternatives were considered, they also address the likely broader implications for burden-sharing and differentiated integration. Understanding how the EU acted in this case is crucial for understanding its role on the international stage, as it informs the debate about its capacity to act in foreign and security policy. By tracing the positions of the main actors and the intra-institutional conflict lines, we provide new insights into EU decision-making at a critical juncture. Ultimately the use of tools that the EU has long shunned hints at a new assertiveness.

**'By tracing the positions of the main actors and the intra-institutional conflict lines, we provide new insights into EU decision-making at a critical juncture.'**

This European Policy Analysis aims to address the most relevant and politically topical issues regarding the €90 bn loan to Ukraine in a question-and-answer format. It builds on a review of relevant proposals and developments regarding the loan. The analysis also includes a comparison to common borrowing in the pandemic, an explanation and visualisation of enhanced cooperation, and an assessment of the consequences for the EU as a foreign and security policy actor.

## 1. What did the European Council decide on 18 December 2025 and what has happened since then?

At its summit on 18 December 2025, the European Council agreed to provide a €90 bn loan to Ukraine<sup>3</sup>. The EU will borrow money on the financial markets for the loan, and its budget will serve as a guarantee, backed by 24 of the 27 Member States following enhanced cooperation under Article 20 TEU. This approach enabled the EU to simultaneously provide Ukraine with the financial support it needs to avoid bankruptcy without requiring all Member States to contribute. Under this agreement, Ukraine will only repay the loan if it receives reparations from Russia; otherwise, the financial risk ultimately falls on the EU24, although the EU retains the right to use the immobilised Russian Central Bank assets to repay the loan<sup>4</sup>. This decision complements the Council Regulation that indefinitely immobilised these assets under Article 122 TFEU on 12 December 2025<sup>5</sup>. The extraordinary revenues<sup>6</sup> generated by these immobilised assets will continue to finance the existing loan cooperation mechanism for Ukraine and service the interest and management costs of the \$50 bn Extraordinary Revenue Acceleration loan to Ukraine.

<sup>1</sup> Kreiling, V. (2025, December). Article 122 TFEU: The legal workaround to freeze Russian assets and possible repercussions. SIEPS. <https://sieps.se/en/publications/2025/article-122-tfeu-the-legal-workaround-to-freeze-russian-assets-and-possible-repercussions/>

<sup>2</sup> Throughout this publication, the terms common borrowing and joint debt will be used interchangeably.

<sup>3</sup> European Council. (2025, December 18). European Council conclusions (Point 3). <https://www.consilium.europa.eu/media/wqmkn04/en-20251218-european-council-conclusions.pdf>

<sup>4</sup> European Council. (2025, December 18). Ukraine (Point 8). <https://www.consilium.europa.eu/media/qxolrs5r/en-20251218-text-ukraine.pdf>

<sup>5</sup> Kreiling, V. (2025). Article 122 TFEU: The legal workaround to freeze Russian assets and possible repercussions. SIEPS. <https://sieps.se/publikationer/2025/article-122-tfeu-the-legal-workaround-to-freeze-russian-assets-and-possible-repercussions/>

<sup>6</sup> Defining extraordinary revenues as 'large, unexpected gains resulting e.g. from critical junctures leading to price spikes and supply shortages', the Council adopted a decision on 12 February 2024 mandating Central Security Depositories holding more than €1 million in immobilised Russian Central Bank assets to account for them separately and prohibit the use of profits generated by these assets. See: Council of the EU. (2024, February 12). Immobilised Russian assets: Council decides to set aside extraordinary revenues. <https://www.consilium.europa.eu/en/press/press-releases/2024/02/12/immobilised-russian-assets-council-decides-to-set-aside-extraordinary-revenues/> (Accessed 26 May 2025)

On 14 January 2026, the Commission adopted a set of legislative proposals to support Ukraine – most importantly, to establish the €90 bn support loan and to amend the Ukraine Facility (both based on Article 212 TFEU) – as well as, based on Article 312 TFEU, to amend the 2021–2027 MFF to ‘allow coverage of the loan to Ukraine’<sup>7</sup>. According to the second, the loan will cover €60 bn in aid for Ukraine’s military and €30 bn for general budgetary purposes<sup>8</sup>. While the Commission expressed its hope to begin providing aid to Ukraine in the second quarter of 2026, the ball is now in the court of both co-legislators, the Council of the EU and the European Parliament, to examine and negotiate the proposals under the EU’s ordinary legislative procedure. On 21 January 2026, by consenting to use the enhanced cooperation procedure, the European Parliament decided to fast-track its work on the loan and related proposals<sup>9</sup>.

## 2. What funding alternatives for Ukraine were previously considered?

Several alternative funding mechanisms were debated before settling on the €90 bn loan based on joint debt (see Table 1). The most prominent was a Reparations Loan to Ukraine that would have used €210 bn in immobilised Russian Central Bank assets held at European Central Security Depositories (CSDs) as direct collateral. Under this scheme, the assets would have been transferred to the Commission, which would issue the loan to Ukraine. Kyiv would have only needed to repay the loan once Russia paid reparations; if Russia complied, the Commission would disburse the CSDs, which in turn would return the assets to Russia.

Facing resistance from some Member States, banks and financial institutions, a coalition of the willing approach was also explored. This included proposals for a Special Purpose Vehicle<sup>10</sup> outside the EU Treaty framework, akin to the European Stability Mechanism. This would have bypassed the need for unanimous EU Council approval. To operationalise the Special Purpose Vehicle, Martin Sandbu of the *Financial Times* suggested setting up a Bad Bank<sup>11</sup>. Under this plan, the European Central Bank would direct CSDs to transfer the Russian Central Bank assets into separate national entities. To shield liability risks from the EU, these would then be merged into a single Bad Bank. This bank would reinvest the assets in higher-yield instruments, backed by joint debt, effectively advancing their value to Ukraine as a form of future Russian reparations. If Russia does not pay, Member State guarantees would serve as a final resort.

A direct confiscation of the assets was generally seen as facing major hurdles due to the cornerstones of international law, such as the principle of state sovereign immunity and the need for countermeasures to be temporary and reversible.

**‘A direct confiscation of the assets was generally seen as facing major hurdles due to the cornerstones of international law ...’**

<sup>7</sup> European Commission. (2026, January 14). Commission presents a financial support package for Ukraine for 2026–2027. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_26\\_90](https://ec.europa.eu/commission/presscorner/detail/en/ip_26_90) (Accessed 21 January 2026)

<sup>8</sup> European Commission. (2026, January 14). Proposal for a Regulation (...) implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027 (Article 7.3 c). [https://commission.europa.eu/document/1b3fd15b-b8af-4475-a2dc-5304455def95\\_en](https://commission.europa.eu/document/1b3fd15b-b8af-4475-a2dc-5304455def95_en)

<sup>9</sup> European Parliament. (2026, January 16). MEPs approve “enhanced cooperation” for €90 billion EU support loan to Ukraine. <https://www.europarl.europa.eu/news/en/press-room/20260116IPR32446/meps-approve-enhanced-cooperation-for-EU90-billion-eu-support-loan-to-ukraine> (Accessed 23 January 2026)

<sup>10</sup> Defined as the following: A legal entity mandated by the Coalition of the Willing that bundles immobilised Russian Central Bank assets from EU Member State Central Security Depositories and centralises the assets’ management and reinvestment, incorporated in an EU Member State jurisdiction with strong legislation for the extraordinary revenues transfer to Ukraine.

<sup>11</sup> Sandbu, M. (2025, September 4). A ‘bad bank’ can resolve Europe’s Russian assets conundrum. *The Financial Times*. <https://www.ft.com/content/28a975a6-8a17-4321-beb8-b70893d6bb9d> (Accessed 14 September 2025)

Table 1: Overview of the main proposals to fund the financing needs of Ukraine

Proposal	Mechanism	Description (decided among / guaranteed by)
European Council agreement (Enhanced cooperation) of 18 December 2025	€90 bn loan to Ukraine	Borrowed on the financial markets, with EU budget guarantee by 24 Member States
Main alternative proposal before the European Council meeting	€210 bn Reparations loan to Ukraine	Relying on immobilised Russian Central Bank assets, unanimity by all 27 Member States required
Special Purpose Vehicle outside the EU Treaties	Loan to Ukraine (amount tbd)	Immobilised Russian Central Bank assets transferred and reinvested by Coalition of the Willing Member States

Source: The authors' own visualisation.

### 3. What roles did particular actors play in the run-up to the European Council decision?

The European Commission presented a package of legislative proposals on 7 December 2025 – in particular, a regulation establishing a Reparations loan using the immobilised Russian assets and, alternatively, EU borrowing for a loan to Ukraine relying on the EU budget<sup>12</sup>. While German Chancellor Friedrich Merz<sup>13</sup> and Nordic leaders<sup>14</sup> favoured the asset-backed loan, other Member States, particularly France, were concerned that the Reparations loan would have a negative impact on their credit rating and sovereign debt costs. Germany and France had not agreed on a common position before the European Council meeting. The ECB referred to Article 123 TFEU and ruled out its ability to provide the guarantees<sup>15</sup>. ECB President Christine Lagarde warned that ‘a legally contentious move would damage the credibility of the euro and discourage investors from holding euro assets, potentially damaging financial stability’<sup>16</sup>.

The Belgium-based CSD Euroclear, which holds most immobilised assets within the EU, remained staunchly opposed, too, fearing unprecedented legal-financial retaliation. Belgian Prime Minister Bart de Wever insisted that any such scheme should include specific sovereign ‘legally-binding, unconditional, irrevocable, on-demand, joint and several guarantees’<sup>17</sup> and that other Member States also holding immobilised assets should also contribute to the scheme<sup>18</sup>.

<sup>12</sup> European Commission. (2025, December 7). EU proposes measures to use frozen Russian assets for Ukraine reparations. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_2903](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_2903)

<sup>13</sup> Merz, F. (2025, September 25). A new financial impetus for peace in Ukraine. The Financial Times. <https://www.ft.com/content/3aacc930-9f5e-4558-90f1-62bf47a31cd5> (Accessed 26 September 2025)

<sup>14</sup> Estonia, Finland, Ireland, Latvia, Lithuania, Poland, & Sweden. (2025, December 7). Joint letter on reparations loan. Politico. [https://www.politico.eu/wp-content/uploads/2025/12/07/Joint-letter-on-reparations-loan-251207.clean\\_.pdf](https://www.politico.eu/wp-content/uploads/2025/12/07/Joint-letter-on-reparations-loan-251207.clean_.pdf)

<sup>15</sup> Storbeck, O., Fleming, S., & Hall, B. (2025, December 2). ECB refuses to provide backstop for €140 bn Ukraine loan. The Financial Times. <https://www.ft.com/content/616c79ee-34de-425a-865e-e94ba10be788> (Accessed 8 December 2025)

<sup>16</sup> Koranyi, B., & Strupczewski, J. (2025, October 6). EU must follow law in using frozen Russian assets to help Ukraine, Lagarde says. Reuters. <https://www.reuters.com/world/europe/eu-must-follow-law-using-frozen-russian-assets-help-ukraine-lagarde-says-2025-10-06/> (Accessed 20 January 2026)

<sup>17</sup> De Wever, B. (2025, November 27). Letter to European Commission President Ursula von der Leyen. [https://multimedia.lecho.be/echo-assets/pdf/251127\\_FinancingforUkraine.pdf](https://multimedia.lecho.be/echo-assets/pdf/251127_FinancingforUkraine.pdf)

<sup>18</sup> Moller-Nielsen, T. (2025, October 22). Belgium's leader threatens to block Ukraine loan if key demands not met. Euractiv. <https://www.euractiv.com/news/belgiums-leader-threatens-to-block-ukraine-loan-if-key-demands-not-met/> (Accessed 3 November 2025)

Italy, Belgium, Bulgaria and Malta raised objections against the Reparations Loan after indefinitely immobilising the Russian assets on 12 December 2025. They reportedly invited the Commission and Council to explore alternative options aligned with EU and international law – such as an EU loan facility or bridge solutions – that offer ‘predictable parameters’ and ‘significantly less risks’ to address Ukraine’s financial needs<sup>19</sup>. This block steered the European Council towards the least legally and politically contentious option: relying on the EU budget rather than repurposing the assets.

#### 4. To what extent does the loan to Ukraine cover the country’s funding needs?

The €90 bn agreement is a significant achievement, but it acts as a ‘survival shield’ rather than a sustainable solution. According to the Commission, which based its calculations on preliminary projections by the International Monetary Fund<sup>20</sup>, Ukraine’s total external financing needs for 2026/2027 – including both civilian reconstruction and military defence – amount to approximately €135.7 bn<sup>21</sup>. As outlined in a letter from von der Leyen to European governments, of the estimated €103.2 bn required for military needs in 2026 alone, Kyiv will need external support to cover half of it.

The Commission assumes that Ukraine will receive the same level of third-party military support as in 2025, ‘with a decrease thereafter on the assumption that the war ends’<sup>22</sup> in 2026. Based on these assumptions, the Commission letter includes estimations of Ukraine’s financial needs (see Table 2).

Table 2: **Estimated financial needs of Ukraine, assuming the war ends in 2026**

Year	Estimated macro-financial needs	Estimated military needs	Estimated total needs
2026	€20.1 bn	€51.6 bn	€71.7 bn
2027	€32.2 bn	€31.8 bn	€64.0 bn
Total	€52.3 bn	€83.4 bn	€135.7 bn

Source: Von der Leyen, U. (2025, November 17). Letter to Member State governments, European Commission (p. 2). [https://www.politico.eu/wp-content/uploads/2025/11/17/17.11.2025\\_Letter-from-President-von-der-Leyen-to-EU-leaders\\_letter\\_optionspaper.pdf](https://www.politico.eu/wp-content/uploads/2025/11/17/17.11.2025_Letter-from-President-von-der-Leyen-to-EU-leaders_letter_optionspaper.pdf) (Accessed 27 November 2025)

The €90 bn loan represents a minimum target for Ukraine’s two-year funding needs<sup>23</sup>. Nonetheless, it is based on two critical assumptions (the war ends in 2026 and that third countries will help bridge the remaining €45.7 bn). This is a significant risk, as one-third of Ukraine’s financing needs depend on external contributions that remain to be secured.

<sup>19</sup> Sorgi, G. (2025, December 7). EU heavyweight Italy joins Belgium in opposing Russian frozen assets plan. Politico. <https://www.politico.eu/article/eu-italy-joins-belgium-opposing-russia-frozen-assets-plan/>

<sup>20</sup> International Monetary Fund. (2025, November 26). IMF and Ukrainian authorities reach staff-level agreement on a new US\$ 8.1 billion 48-month Extended Fund Facility (EFF) arrangement. <https://www.imf.org/en/news/articles/2025/11/26/pr-25399-ukraine-agreement-on-new-us-8-point-1-bil-48mo-eff-arrangement> (Accessed 13 January 2026)

<sup>21</sup> Liboreiro, J., & Tadeo, M. (2025, November 17). ‘No easy options’: Von der Leyen urges EU countries to plug €135bn gap for Ukraine. Euronews. <https://www.euronews.com/my-europe/2025/11/17/no-easy-options-von-der-leyen-urges-eu-countries-to-plug-135bn-gap-for-ukraine> (Accessed 28 November 2025)

<sup>22</sup> Von der Leyen, U. (2025, November 17). Letter to Member State governments, European Commission (p. 5). [https://www.politico.eu/wp-content/uploads/2025/11/17/17.11.2025\\_Letter-from-President-von-der-Leyen-to-EU-leaders\\_letter\\_optionspaper.pdf](https://www.politico.eu/wp-content/uploads/2025/11/17/17.11.2025_Letter-from-President-von-der-Leyen-to-EU-leaders_letter_optionspaper.pdf) (Accessed 27 November 2025)

<sup>23</sup> Ibid. (2025, November 17): p. 5

While the loan ensures Ukraine's immediate solvency, it requires the EU to continue its piecemeal search for additional funds<sup>24</sup>. Although the Commission's initial 2028–2034 Multiannual Financial Framework (MFF) proposal already dedicates €100 bn in financial support to Ukraine, only the final version will determine how much of the next MFF will be dedicated to support Ukraine.

## 5. Is this case of joint debt by the EU similar to the joint debt during the pandemic?

After the Euro crisis, the pandemic and the Security Action for Europe (SAFE) scheme in early 2025, the EU has opted for common borrowing once again. When the EU decided to use common borrowing to finance the Resilience and Recovery Fund (RRF) in July 2020, the Union was deep into a global pandemic, which not only gravely affected public health and healthcare systems but also hampered trade, labour markets/the economy and public finances. The threat of the pandemic was a symmetric shock, but it hit EU societies with a varying impact and led governments to respond with different measures. The RRF was a joint EU endeavour to finance structural reforms and assist governments in proceeding with the transition to a green and digital economy.

**‘There are apparent similarities and differences between the RRF and joint debt for Ukraine, not least when it comes to the amount of funds.’**

There are apparent similarities and differences between the RRF and joint debt for Ukraine, not least when it comes to the amount of funds. The Ukraine loan of 18 December amounts to €90 bn, while the RRF amounted to €637 bn<sup>25</sup>. The disbursement of the RRF funds was conditioned on compliance with the rule of law and good governance (along with several other criteria). Similarly, the Ukraine money carries the same conditions on reforms as the previous Ukraine facility, effectively connecting EU support to Ukraine's accession process<sup>26</sup>.

With the RRF, there were obvious divisions among the EU27 about the use of common borrowing and subsequently about the disbursement of the money via loans or grants. However, the RRF was agreed upon by all 27 Member States, despite traditionally frugal countries opposing common borrowing along with the countries opposed to the rule of law conditionality. The Ukraine loan agreement of 18 December 2025, however, allowed three countries to refrain from supporting Ukraine: the Czech Republic, Hungary and Slovakia.

If the pandemic had elements of symmetric shock, the same can be said about Russia's full-scale invasion of Ukraine. But the perception of Russia as a threat diverges within the EU. In the Nordic and Baltic countries, Russia's invasion of Ukraine is considered a more important issue to each individual country as well for the EU<sup>27</sup>. Coincidentally, these are the same countries with a traditionally frugal view on EU finances and common borrowing. This helps to explain why the Nordic-Baltic states would ultimately opt for common borrowing in this case, although Sweden and others insisted on the RRF common borrowing as a ‘one-off’.

<sup>24</sup> Whilst further ideas on how to finance Ukraine's financial needs go beyond the aims of this publication, one idea could be to reinvest the ERs into assets with higher yields, e.g. into Domestic Government Bonds of Ukraine. For more specifics, e.g., about deposit rates, see: Balytska, M. (2025, June 13). UAH 1,000 for defense: Who's buying war bonds and what can you earn from them? Vox Ukraine. <https://voxukraine.org/en/uah-1000-for-defense-whos-buying-war-bonds-and-what-can-you-earn-from-them> (Accessed 7 December 2025)

<sup>25</sup> European Commission. (2025, October 8). The recovery and resilience facility. [https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility\\_en](https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en) (Accessed 17 January 2026)

<sup>26</sup> The New Union Post. (2026, January 14). EU's €90 billion Ukraine support loan could bring Kyiv 'closer to EU membership.' <https://newunionpost.eu/2026/01/14/ukraine-support-loan-eu-membership/> (Accessed 17 January 2026)

<sup>27</sup> Eurobarometer. (2025, May). Standard Eurobarometer 103 – Spring 2025, page 32. <https://europa.eu/eurobarometer/surveys/detail/3372> (Accessed 17 January 2026); Eurobarometer. (2025, October). Standard Eurobarometer 104 – Autumn 2025, page 35 <https://europa.eu/eurobarometer/surveys/detail/3378> (Accessed 23 January 2026)

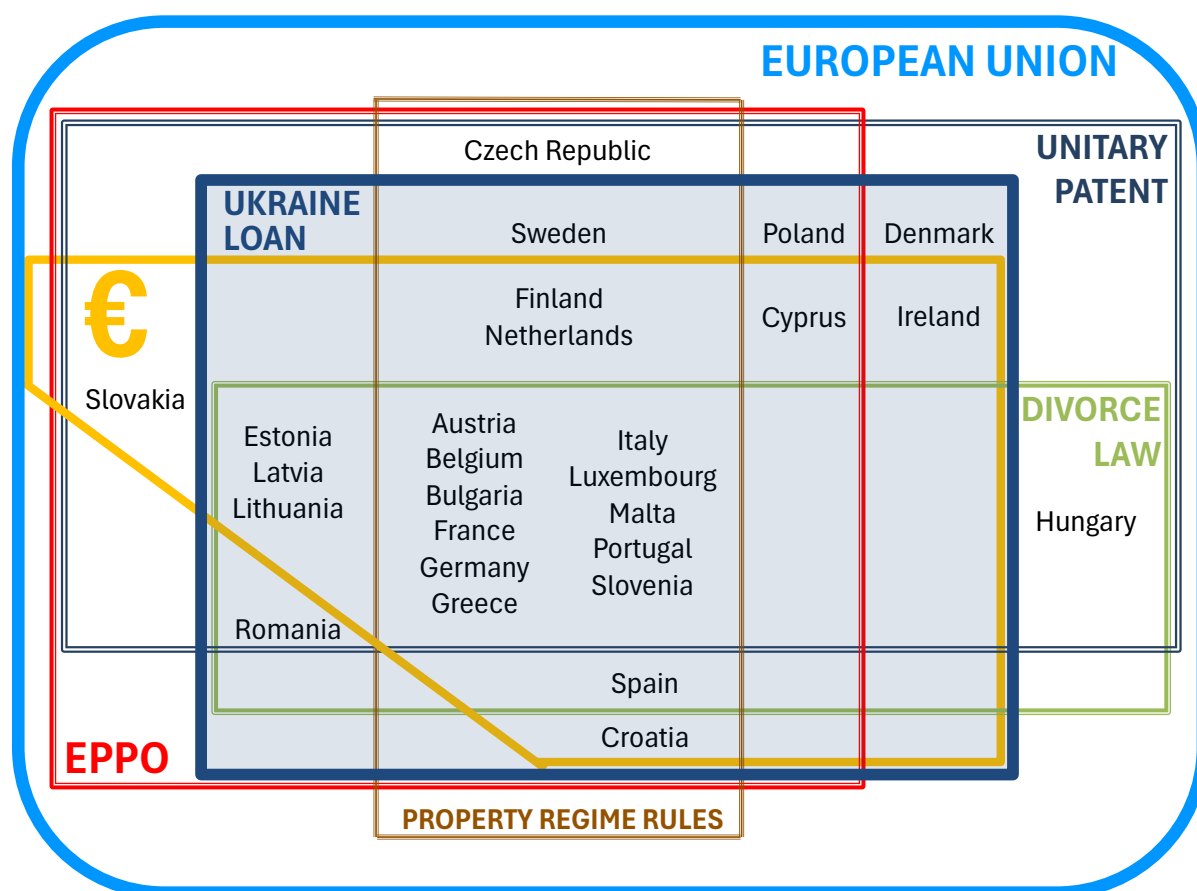


## 6. What is the procedure of enhanced cooperation and how does it work? Is the EU24 thus the 'new' EU?

At the European Council meeting, 24 Member States supported the €90 bn loan to Ukraine, three Member States (Czech Republic, Hungary and Slovakia) did not. The procedure of enhanced cooperation allows forward movement in such a case. The Treaties provide extensive provisions on all this: Enhanced cooperation 'shall aim to further the objectives of the Union, protect its interests and reinforce its integration process' (Article 20 TEU). It shall be used 'as a last resort, when it has [been] established [by the Council] that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole, and provided that at least nine Member States participate in it' (Article 20 TEU).

All members of the Council of the EU may participate in deliberations related to the enhanced cooperation, 'but only members of the Council representing the Member States participating in enhanced cooperation shall take part in the vote' (Article 330 TFEU). The European Parliament must give its consent and '[e]xpenditure [...] other than administrative costs entailed for the institutions, shall be borne by the participating Member States, unless all members of the Council, acting unanimously after consulting the European Parliament, decide otherwise' (Article 332 TFEU).

Figure 1. **Enhanced Cooperation in one figure (with EU27 and EA21)**



Infographic: Valentin Kreiling, January 2026 (first edition published in 2012).



Using enhanced cooperation is rare, but not totally uncommon, as cooperation has occurred on various subjects such as divorce law, property regime rules, the unitary patent and the European public prosecutor's office in recent years. The 24 Member States joining the enhanced cooperation for the Ukraine loan create a politically and financially highly significant enhanced cooperation. As another form of differentiated integration, with 21 members currently, the Euro area is institutionally also very important. Figure 1 shows the EU, the Euro area and all existing enhanced cooperations.

## 7. What does the decision mean for the EU as a foreign and security policy actor?

Using the immobilised Russian assets to support Ukraine would have been a way for the EU to exercise economic statecraft that is embedded within its own institutional framework and would respect international law. However, as has been shown in the Conclusions of 18 December 2025, the diverging interests among Member States and banking and financing institutions led the Union to opt for common borrowing, instead. Notably, the Nordic Member States that promoted using the immobilised assets are also traditionally opposed to common borrowing. In effect, the Union chose to increase EU integration internally instead of exercising power through financial statecraft.

**‘The decision to continue supporting Ukraine financially means that the EU also continues to invest in Ukraine’s EU integration, as well as European security more broadly.’**

The decision to continue supporting Ukraine financially means that the EU also continues to invest in Ukraine’s EU integration, as well as in European security more broadly. By choosing to use common borrowing, the EU further underscores its initial resolve since the start of Russia’s full-scale invasion – common borrowing normally being such a politically divisive option. This is now the third time that the EU has used common borrowing to deal with large-scale crises, for lack of options that gather unity or majorities. However, and more importantly, it establishes the EU24 as the focal point of EU foreign and security policy as regards the war in Ukraine. The European Council meeting has shown that the most pressing EU foreign and security issue since the founding of the Union has been dealt with by way of an à la carte model, which displays fundamental internal divisions but also a pragmatism and an ability to overcome these divisions and to act.

Ensuring that Ukraine remains financed and able to defend itself is an investment in EU security – albeit a modest one for the time being – but also keeps Ukraine on course for EU accession. Ukraine will spend money on EU military equipment and further anchor itself in EU defence industrial structures.

## 8. Will the Russian assets simply remain immobilised?

At the European Council meeting, the document on Ukraine that was supported by 25 Heads of State or Government<sup>28</sup> stated that the European Council called on the Council of the EU and the European Parliament ‘to continue working on the technical and legal aspects of the instruments establishing a Reparations Loan based on the cash balances associated with Russia’s immobilised assets’ (point 8)<sup>29</sup>.

The assets or, more precisely, their cash balances, have not yet been used; only the extraordinary revenues are currently being used. It seems likely that the new status quo of

<sup>28</sup> This text was ‘firmly’ supported by 25 Heads of State or Government, while the enhanced cooperation for the €90 bn loan encompasses 24 Member States.

<sup>29</sup> European Council (2025, December 18). Ukraine. <https://www.consilium.europa.eu/media/qxolrs5r/en-20251218-text-ukraine.pdf>

their indefinite immobilisation will continue because the most urgent financing needs of Ukraine are addressed with the €90 bn loan borrowed on the financial markets, relying on the EU budget and supported by 24 Member States.

The Council Regulation that immobilised the assets indefinitely contains provisions for the case of deciding that the measures under the Regulation should end: the Council must amend the Regulation by a qualified majority (Article 6(2)). This would be based on a proposal from the Commission, which will undertake an annual review of the Regulation for the first time by 31 December 2026 (Article 5).

There are three conditions that Council Regulation 2025/2600 establishes for unfreezing the assets: First, Russia must cease its war of aggression. Second, it must provide ‘reparations to Ukraine [...] to allow for reconstruction without adverse economic or financial consequences for the Union’. And third, Russia’s actions in the context of its war of aggression against Ukraine must ‘cease to pose a serious risk of severe difficulties to the economy of the Union and its Member States’ (Article 6(1)).<sup>30</sup>

## Conclusion

The EU demonstrated both pragmatism and assertiveness at the European Council meeting on 18 December 2025. Its decision to provide a €90 bn loan to Ukraine marks a pivotal moment in EU foreign and security policy. The joint debt is backed by 24 Member States – not included are the Czech Republic, Hungary and Slovakia. This approach, anchored in enhanced cooperation, allowed the Union to bypass unanimity and deliver critical financial support to Ukraine without being derailed by internal dissent.

The agreement reflects a delicate balance between legal constraints and political will. While the EU initially explored using immobilised Russian Central Bank assets as collateral for a Reparations loan, resistance from key actors – including the ECB, Euroclear and Belgium – pushed the Union towards a more conventional solution: joint debt. This choice underscores the EU’s ability to adapt and act decisively, even in the face of divergent national interests and institutional caution.

However, the €90 bn loan, though substantial, only partially addresses Ukraine’s estimated €135.7 bn financing gap for 2026–2027. The EU’s commitment to Ukraine’s solvency and security is clear, but the reliance on external contributions and the assumption that the war will end in 2026 introduce significant risks. The decision also reinforces the trend of differentiated integration, with the EU24 emerging as a possible focal point for foreign and security policy – a development that could reshape the Union. It remains to be seen whether this becomes a blueprint for similar EU decision-making regarding challenges the Union will need to face in the foreseeable future.

Ultimately, the EU’s actions signal a willingness to innovate within its institutional framework. The success of this initiative will depend on the EU’s ability to sustain unity, secure additional funding and navigate the complexities of Ukraine’s reconstruction and accession process. The EU has passed the litmus test, but it must now prove its resolve in the long term.

**‘This choice underscores the EU’s ability to adapt and act decisively, even in the face of divergent national interests and institutional caution.’**

<sup>30</sup> European Union (2025, December 13). Council Regulation (EU) 2025/2600. Official Journal of the European Union, L 260. [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL\\_202502600](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL_202502600)