Establishing the Reparations Loan to Ukraine

2025/3502(COD) - 03/12/2025 - Legislative proposal

PURPOSE: to establish a reparation loan for Ukraine in order to help Ukraine cover its financing needs resulting from the war of aggression waged by Russia.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the EU is steadfast in its support to Ukraine, whose future lies within the EU. In light of the escalating Russian aggression, it is necessary to act swiftly to ensure Ukraine has access to the resources it urgently needs.

Since the start of the conflict, the EU, its Member States, and European financial institutions have collectively provided Ukraine with a total of EUR 187.3 billion in aid, underscoring the EU's unwavering commitment to supporting Ukraine throughout the conflict and to the extent necessary. However, **Russia's intensified aggression has increased Ukraine's financing needs** and urgent investment is called for in the Ukrainian Defence Technological and Industrial Base.

The capacity of the Union and of its Member States to provide **additional funding** to Ukraine is currently limited and does not match the magnitude of Ukraine's needs. Against this background, despite the constraints on the Union and Member States, it is necessary to ensure that Ukraine is provided with sufficient and continuous financial support in response to and following the current crisis situation. To that end, it is appropriate to establish an instrument for providing Union support to Ukraine in the form of a loan to be repaid by reparations due by Russia (the 'Reparations Loan').

CONTENT: the proposed regulation establishes **an instrument to provide Union assistance to Ukraine in the form of a loan to be repaid by reparations due by Russia.**

Assistance available under the reparations loan

The Reparations Loan should be for a maximum amount of EUR 210 billion. That amount should be made available to Ukraine in accordance with Ukraine's financing needs, as provided for in the Ukrainian Financing Strategy approved, subject to:

- the requirement that **at no time shall the outstanding amount of the loan made available exceed the amount of cash balances** at financial institutions in the Union that accumulate because transactions regarding the assets and reserves of the Central Bank of Russia are not permitted; and

- the entry into force **of guarantee agreements**. Where a Member State suffers damage as a result of an enforcement in a third country of investor-State arbitral awards in connection with measures imposed regarding restrictions concerning the Central Bank of Russia, the Union should ensure **fair sharing and solidarity** with that Member State through the conclusion of guarantee agreements with Member States covering the risk of such damages.

The Reparations Loan should provide financial assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view of supporting Ukraine in **covering its financing and defence needs**, in particular those resulting from Russia's war of aggression. Specifically, the Reparations Loan should support macro-financial stability in Ukraine and ease its external financing and support Ukraine's defence industrial capacities through economic, financial and technical cooperation, thereby contributing to providing Ukraine a Qualitative Military Edge.

Terms

A precondition for granting the assistance under the Reparations Loan should be that Ukraine continue to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system, the rule of law (including corruption), and to guarantee respect for human rights, including the rights of persons belonging to minorities.

Implementation

In order to receive financial and economic assistance under the Reparations Loan, Ukraine should submit, in principle each year, to the Commission a **Ukrainian Financing Strategy** that should provide details on Ukraine's financing needs and financing sources, in principle for the forthcoming 12 months.

The Commission is to assess the Ukrainian Financing Strategy and, in case of a positive assessment, submit a proposal to the Council for the approval of its assessment by means of an implementing decision.

The Commission's proposal will outline the amount of assistance to be made available to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount of that assistance accessible for (i) macro-financial assistance, (ii) assistance through the Ukraine Facility and (iii) assistance to support Ukraine's defence industrial capacities.

Support for defence industrial capabilities

The assistance to support Ukraine's defence industrial capacities shall aim at enabling Ukraine to carry out **urgent and major public investments** in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation.

Budgetary implication

The loan, up to a maximum of EUR 210 billion, to be repaid by reparations owed by Russia, will be underpinned by a **system of guarantees** from Member States or guarantee provided under the multiannual financial framework in order to ensure that the contingent liability for the Union arising from the Reparations Loan is compatible with the Union budget constraints.

For the approach to serve the intended purpose, **Member States** may provide irrevocable, unconditional and on-demand guarantees to the Union, in line with their respective relative share in the total Gross National Income of the Union. **Third countries** can contribute to the Reparations Loan by providing irrevocable, unconditional and on-demand guarantees over and above the guarantees provided by Member States. Alternatively, third countries may contribute to the Reparations Loan by supporting currency risk management related to any conversion of the cash balances borrowed from financial institutions.

In addition to the provision of Member State guarantees, a **safeguard** is built into the framework in order to ensure the financial solidity of the scheme through a dedicated liquidity mechanism, available for the repayment of the debt obligation of the Union towards financial institutions.