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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Subject:	Proposal for a COUNCIL DECISION authorising enhanced cooperation on the establishment of a Loan for Ukraine

Delegations will find attached document COM(2025) 806 final.

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EUROPEAN
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COM(2025) 806 final

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Proposal for a

COUNCIL DECISION

authorising enhanced cooperation on the establishment of a Loan for Ukraine

Proposal for a

COUNCIL DECISION

authorising enhanced cooperation on the establishment of a Loan for Ukraine

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 329(1) thereof,

Having regard to the requests made by the Kingdom of Belgium, the Republic of Bulgaria, the Kingdom of Denmark, the Federal Republic of Germany, the Republic of Estonia, the Republic of Croatia, Ireland, the Hellenic Republic, the French Republic, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Grand Duchy of Luxembourg, the Republic of Malta, the Kingdom of the Netherlands, the Republic of Austria, the Republic of Poland, the Portuguese Republic, Romania, the Republic of Slovenia, the Republic of Finland, the Kingdom of Spain, the Republic of Italy, the Kingdom of Sweden,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament¹,

Whereas:

- (1) On 24 February 2022, the President of the Russian Federation announced a military operation in Ukraine, and Russia's armed forces began an unprovoked and unjustified military aggression against Ukraine. This illegal war of aggression is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine, as well as a violation of the prohibition on the use of force enshrined in Article 2(4) of the United Nations (UN) Charter, which is a peremptory rule of international law, and of the other principles of the UN Charter.
- (2) Since the beginning of Russia's unprovoked and unjustified war of aggression against Ukraine, the Union, its Member States and European financial institutions have mobilised unprecedented support for Ukraine's economic, social, financial and defence resilience. That support combines support from the Union budget, in particular by means of macro-financial assistance under the form of the Macro-Financial Assistance², the Ukraine Facility³ and the Ukraine Loan Cooperation

¹ Official Journal C [...], [...], p. [...].

² Regulation (EU) 2022/2463 of the European Parliament and of the Council of 14 December 2022 establishing an instrument for providing support to Ukraine for 2023 (macro-financial assistance +) (OJ L 322, 16.12.2022, p. 1).

³ Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024).

Mechanism (ULCM)⁴, and support from the European Investment Bank and the European Bank for Reconstruction and Development, fully or partially guaranteed by the Union budget, as well as further financial support by Member States.

- (3) On 9 September 2025, Ukraine submitted an official request to the International Monetary Fund (IMF) for a new programme to cover additional financing needs from 2026 to 2029. That programme would follow the successful implementation of the existing IMF programme, where Ukraine completed eight reviews, but takes into consideration that Russia's war of aggression has continued. The IMF's ability to proceed with this programme is contingent upon receiving sufficient financing assurances from other partners, including the European Union.
- (4) On 23 October 2025, 26 Member States committed to address Ukraine's pressing financial needs for 2026-2027, including for its military and defence efforts. Those Member States also underlined the critical need to ensure that Ukraine remains resilient and has the budgetary and military means to continue to exercise its inherent right of self-defence and counter Russia's aggression, and reaffirmed that the European Union will continue to provide, in coordination with like-minded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people. Those Member States further concluded that all military support as well as security guarantees for Ukraine will be provided in full respect of the security and defence policy of certain Member States and taking into account the security and defence interests of all Member States. It was agreed that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by its war, and invited the Commission to present options for financial support to Ukraine. On the same date, the European Council concluded that Russia's war of aggression against Ukraine and its repercussions for European and global security in a changing environment constitute an existential challenge for the European Union.
- (5) The financial situation of Ukraine requires that disbursement of the Union financial assistance takes place in the second quarter of 2026 at the latest. To this purpose, on 3 December 2025, the Commission adopted a package of different proposals including a proposal for a Regulation of the European Parliament and of the Council establishing the Reparations Loan⁵ and a proposal for a Regulation amending Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework (MFF) for the years 2021 to 2027⁶. Taken together, these proposals offered two different options to address Ukraine's pressing financial needs for 2026-2027. In the package, the proposal on the amendment of the MFF was made to allow to mobilise the Union budget headroom guarantees for financial assistance to Ukraine over and above the MFF ceilings. Absent that amendment, the contingent liability of the Reparations Loan was to be supported by guarantees to be given by Member States on a voluntary basis.
- (6) On 12 December 2025, the Council adopted Council Regulation (EU) 2025/2600 of 12 December 2025 on emergency measures addressing the serious economic difficulties

⁴ Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine (OJ L, 2024/2773, 28.10.2024 p.1-14.).

⁵ COM(2025) 3502 final, 2025/3502 (COD).

⁶ COM(2025) 3500 final, 2025/3500 (APP).

caused by Russia's actions in the context of the war of aggression against Ukraine⁷ which was part of the package of the proposals made by the Commission on 3 December 2025.

- (7) Intensive consultations took place in the Council on the elements of the package and in particular on the proposal for a Regulation establishing a Reparations Loan, and the proposal to amend the multiannual financial framework Regulation for the years 2021 to 2027 (MFF Regulation). It appeared that the amendment of the MFF Regulation allowing to back the contingent liability linked to support to Ukraine by the Union budget over and above the MFF ceiling was an important element for some Member States and a condition for their support to the Reparations Loan. However, some other Member States were reluctant to support the possible expenditure and contingent liability connected with the Reparations Loan.
- (8) In its conclusions of 18 December 2025, the European Council supported the provision of a loan to Ukraine of EUR 90 billion for the years 2026-2027 based on EU borrowing on the capital markets backed by the Union's budget headroom. The European Council conclusions also reflected that, by means of enhanced cooperation (Article 20 TEU) in respect of the instrument based on Article 212 TFEU, any mobilisation of resources of the Union's budget as a guarantee for this loan will not have an impact on the financial obligations of the Czech Republic, Hungary and Slovakia.
- (9) Since 3 December 2025, the preparatory bodies of the Council, including Coreper, had met on several occasions with the aim of agreeing on the set of acts proposed by the Commission, including on the proposal for a Regulation establishing the Reparations Loan and a proposal for the amendment of the MFF Regulation. On 19 December 2025, the preparatory bodies of the Council (Coreper) acknowledged the impossibility of achieving the objective of the loan within a reasonable period through the package of acts involving the Union as a whole within a reasonable period. The assessment took into account the urgent need for financial assistance for Ukraine. It also established that the instrument providing the loan to Ukraine and the necessary amendments to the MFF Regulation can only be agreed, as a last resort, through the combination of unanimous agreements on the proposal for the amendment of the MFF Regulation and an enhanced cooperation on a proposal for a loan to Ukraine, under Article 212 TFEU, while the expenditure resulting from the implementation of that act, other than administrative costs entailed for the institutions, is borne by the participating Member States, in accordance with Article 332 TFEU.
- (10) On 20 December 2025, the Kingdom of Belgium, the Republic of Bulgaria, the Kingdom of Denmark, the Federal Republic of Germany, the Republic of Estonia, the Republic of Croatia, Ireland, the Hellenic Republic, the French Republic, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Grand Duchy of Luxembourg, the Republic of Malta, the Kingdom of the Netherlands, the Republic of Austria, the Republic of Poland, the Portuguese Republic, Romania, the Republic of Slovenia, the Republic of Finland, the Kingdom of Spain, the Republic of Italy, the Kingdom of Sweden, addressed a joint letter to the Commission requesting it to

⁷ Council Regulation (EU) 2025/2600 of 12 December 2025 on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of the war of aggression against Ukraine (*OJ L*, 2025/2600, 13.12.2025).

“submit a proposal to the Council for a decision authorising an enhanced cooperation that has as objective and scope to provide a loan to Ukraine of EUR 90 billion for the years 2026-2027 based on EU borrowing on the capital markets backed by the EU budget headroom by giving effect to paragraphs 3 and 4 of the European Council conclusions (EUCO 24/25) as well as paragraph 8 of the text on Ukraine firmly supported by 25 Head of States or Governments (EUCO 26/25)”.

- (11) The financial assistance to third countries, as set out by Article 212 TFEU, is not included in the list of areas of exclusive competence of the Union referred to in Article 3(1) TFEU. The provision of a financial assistance to Ukraine under the modalities envisaged by the European Council in its conclusions of 18 December 2025 (‘the envisaged enhanced cooperation’) therefore falls within the framework of the Union's non-exclusive competence.
- (12) The envisaged enhanced cooperation supports different objectives which will reinforce the integration process in accordance with Article 20(1) TEU. Firstly, providing financial assistance to Ukraine would contribute to the objectives of the Union as set out in Article 3 TEU, in particular to peace and security in the Union and in the world as well as to the sustainable development of Europe based inter alia on balanced economic growth and price stability. Indeed such an assistance would allow to mitigate the effects of Russian’s actions on the security and on the economy of the Union and of its neighbourhood. A defeat by Ukraine would be associated with an increased risk of aggression by Russia against one of the Member States or a country in the neighbourhood of Ukraine, including candidate countries, having direct and indirect repercussions on the security and economic situation in the Union. It can also be expected that the repercussions on the Union’s economy due to Russia’s aggression would be even more severe in the case where Ukraine would not be able to support the fiscal efforts that are necessary for the continuation of its war effort. Secondly, considering that Ukraine is also a candidate to accede to the Union, this support is a strategic investment of the Union in peace, security, stability and prosperity in Europe and allows the Union to be better positioned to address global challenges while contributing to the implementation of the Ukraine Facility Regulation (EU) 2024/792 and its focus on rule of law reforms, public administration reform and the functioning of democratic institutions as key fundamentals for accession. Thirdly, providing assistance to Ukraine would also be beneficial for the internal market and would provide increased economic and trade opportunities to the mutual benefit of the Union and Ukraine, while supporting a gradual transformation of the country including through the implementation of the Ukraine Plan as amended by Council Implementing Decision (EU) 2025/2157. Fourthly, the Union is confronted to a stark deterioration of its security context, linked not only to Russia’s persistent threat and its intensified shift to a war-time economy and to the evolution of the war in Ukraine, but also to uncertainties stemming from the advent of a geopolitical situation in which the Union has to markedly step up its efforts to ensure its defence autonomously. In this context, providing a financial assistance to Ukraine should also allow to support objectives which would be beneficial for the reinforcement of the European Defence and Technological Industrial basis (EDTIB), in a context where several instruments and programmes of the Union promote defence industrial cooperation with Ukraine, in particular Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European

Defence Industry Instrument⁸ and the European Defence Industry Programme (EDIP)⁹.

- (13) The envisaged enhanced cooperation, which consists in having a group of Member States providing a financial assistance to Ukraine, complies with the Treaties and Union law and is to be organised in a way which does not undermine the internal market or economic, social or territorial cohesion. It should also not constitute a barrier to, or a discrimination in, trade between Member States and does not distort the competition between them.
- (14) The implementation of the envisaged enhanced cooperation requires expenditures, other than administrative costs entailed for the institutions ('expenditure of enhanced cooperation'), and contingent liabilities from financial assistance, which are to be guaranteed over and above the MFF ceiling ('guarantee for contingent liabilities').
- (15) The envisaged enhanced cooperation respects the competences, rights and obligations of non-participating Member States. The non-participating Member States should contribute neither to the financing of the expenditure of the enhanced cooperation nor to the coverage of the guarantee for the contingent liabilities. For this purpose, the Member States not participating in the enhanced cooperation on the establishment of the Reparations Loan should be entitled to an adjustment in accordance with Article 11 of Council Regulation (EU, Euratom) No 609/2014.¹⁰ That adjustment should cover the expenditure of enhanced cooperation and any call on the guarantee for contingent liabilities.
- (16) The envisaged enhanced cooperation is open at any time to all the Member States which want to participate in it under the terms defined in this Decision. Any newly participating Member State in the enhanced cooperation should contribute to the financing of the expenditure of the enhanced cooperation from the date on which the participation of that Member State becomes effective pursuant to Article 331(1) TFEU. Any newly participating Member State should also ensure coverage of the guarantee for contingent liabilities entered into from the start of the enhanced cooperation by the Union, in view of its implementation. To that effect, that Member State should contribute, as of the date on which its participation becomes effective pursuant to Article 331(1) TFEU, with its proportionate share, to any call on the guarantee for contingent liabilities, including calls related to contingent liabilities into which the Union entered, in view of the implementation of this enhanced cooperation, before that date.

HAS ADOPTED THIS DECISION:

Article 1

The Kingdom of Belgium, the Republic of Bulgaria, the Kingdom of Denmark, the Federal Republic of Germany, the Republic of Estonia, the Republic of Croatia, Ireland, the Hellenic Republic, the French Republic, the Republic of Cyprus, the Republic of Latvia, the Republic

⁸ Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (Text with EEA relevance), (*OJ L*, 2025/1106, 28.5.2025, p.39-52).

⁹ COM(2024) 150 final.

¹⁰ Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (Recast) (*OJ L* 168, 7.6.2014, p. 39).

of Lithuania, the Grand Duchy of Luxembourg, the Republic of Malta, the Kingdom of the Netherlands, the Republic of Austria, the Republic of Poland, the Portuguese Republic, Romania, the Republic of Slovenia, the Republic of Finland, the Kingdom of Spain, the Republic of Italy, the Kingdom of Sweden, are hereby authorised to establish enhanced cooperation between themselves on the establishment of a Loan for Ukraine under the terms described in this Decision, by applying the relevant provisions of the Treaties.

Article 2

This Decision shall enter into force on the day of its adoption.

Done at Brussels,

*For the Council
The President*