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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Presidency compromise on the Regulation implementing enhanced cooperation on the establishment of the Ukraine Support Loan to Ukraine for 2026 and 2027

Delegations will find attached the Presidency compromise on the Regulation implementing enhanced cooperation on the establishment of the Ukraine Support Loan to Ukraine for 2026 and 2027.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

implementing enhanced cooperation
on the establishment of the Ukraine Support Loan for 2026 and 2027

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 TFEU thereof,

Having regard to Council Decision [*XX*] of [*date*] authorising enhanced cooperation on the establishment of a Loan for Ukraine, and in particular Article 1 thereof,

Having regard to the proposal from the Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

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, including exceptional macro-financial assistance 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.

PUBLIC

(3) Decision (EU) 2022/313 of the European Parliament and the Council[1], Decision (EU) 2022/1201 of the European Parliament and the Council[2], Decision (EU) 2022/1628 of the European Parliament and the Council[3] and Regulation (EU) 2022/2463 of the European Parliament and the Council[4] collectively made available EUR 25.2 billion of macro-financial assistance to Ukraine throughout 2022 and 2023. This support constituted a major contributing factor to Ukraine's macroeconomic and financial resilience at a critical time.

(4) On 29 February 2024, Regulation (EU) 2024/792 of the European Parliament and of the Council[5] established the Ukraine Facility as an exceptional medium-term instrument that brings together the bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency (the 'Ukraine Facility'). Over the period 2024 to 2027, the Ukraine Facility helps address Ukraine's financing needs and contributes to its recovery, reconstruction and modernisation needs, while at the same time supporting Ukraine's reforms effort as part of its path towards accession to the Union.

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1 Decision (EU) 2022/313 of the European Parliament and of the Council of 24 February 2022 providing macro-financial assistance to Ukraine (OJ L 55, 28.2.2022, p. 4, ELI: http://data.europa.eu/eli/dec/2022/313/oj).

2 Decision (EU) 2022/1201 of the European Parliament and of the Council of 12 July 2022 providing exceptional macro-financial assistance to Ukraine (OJ L 186, 13.7.2022, p. 1, ELI: http://data.europa.eu/eli/dec/2022/1201/oj).

3 Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201 (OJ L 245, 22.9.2022, p. 1, ELI: http://data.europa.eu/eli/dec/2022/1628/oj).

4 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, ELI: http://data.europa.eu/eli/reg/2022/2463/oj).

5 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, ELI: http://data.europa.eu/eli/reg/2024/792/oj).

(5) On 24 October 2024, Regulation (EU) 2024/2773 of the European Parliament and the Council[6] established the Ukraine Loan Cooperation Mechanism and provided exceptional macro-financial assistance to Ukraine. That assistance was the Union contribution as part of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, which collectively assisted in addressing Ukraine's financing gap for 2025.

(6) Russia's war of aggression against Ukraine has caused tremendous damage in Ukraine, with estimated recovery and reconstruction costs of EUR 506 billion as of 31 December 2024. Moreover, Ukraine has lost access to international financial markets and experienced a significant drop in public revenue, while public expenditure has increased substantially. Against that background, substantive funding needs for the coming years can be foreseen.

(7) 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 succeed 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.

(8) Despite ongoing international efforts to broker a peaceful resolution to the conflict, the prolongation of Russia's war of aggression has resulted in significant damage to Ukraine's critical defence, civilian and energy infrastructure, necessitating the mobilisation of substantial additional resources to address the country's immediate financing needs.

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[6] 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, ELI: http://data.europa.eu/eli/reg/2024/2773/oj).

(9) Russia's war of aggression against Ukraine represents a strategic geopolitical threat to the Union as a whole and requires Member States to stand strong and united. It is therefore essential that Union support be deployed rapidly and be able to adapt flexibly for immediate relief and short-term rehabilitation on the way to future reconstruction.

(10) In line with the Articles on the Responsibility of States for Internationally Wrongful Acts and customary international law, Russia – as the responsible state – is under an obligation to make full reparation for the injury caused by its war of aggression.

(11) Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine[7] and Council Regulation (EU) 2022/334 of 28 February 2022 amending Council Regulation (EU) No 833/2014[8] prohibits transactions related to the management of reserves as well as of assets of the Central Bank of Russia including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia. In its conclusions of 27 June 2024, 17 October 2024 and 19 December 2024, the European Council has stated 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 this war.

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[7] Council Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 4, ELI: http://data.europa.eu/eli/dec/2022/335/oj).

[8] Council Regulation (EU) 2022/334 of 28 February 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 1, ELI: http://data.europa.eu/eli/reg/2022/334/oj).

(12) Additionally, Council Regulation (EU) 2025/2600[9] prohibits the transfer of assets or reserves of the Central Bank of Russia on a temporary basis until Russia ceases its war of aggression against Ukraine; Russia provides reparations to Ukraine to the extent necessary to allow for reconstruction without adverse economic or financial consequences for the Union; and Russia's actions in the context of its war of aggression against Ukraine have objectively ceased to pose a serious risk of severe difficulties to the economy of the Union and its Member States.

(13) On 18 December 2025, the European Council has agreed to provide a loan to Ukraine of EUR 90 billion for the years 2026 and 2027 based on Union borrowing on the capital markets backed by the Union budget headroom. The European Council also agreed that by means of enhanced cooperation in accordance with Article 20 of the Treaty on European Union, any mobilisation of resources of the Union's budget as a guarantee for this loan should not have an impact on the financial obligations of the Czech Republic, Hungary and Slovakia. On the same date, 25 Member States have agreed that this loan should be repaid by Ukraine only once reparations are received. Until then, the assets of the Central Bank of Russia should remain immobilised and the Union should reserve its right to make use of them to repay the loan, in full accordance with EU and international law. Those Member States underlined the importance of the following elements in relation to the loan: (a) strengthening of the European and Ukrainian defence industries; (b) Ukraine continuing to uphold the rule of law, including the fight against corruption; and (c) the specific character of the security and defence policy of certain Member States and the security and defence interests of all Member States.

(14) On [*DATE*], the Council adopted Decision [*XX*] authorising enhanced cooperation between Belgium, Bulgaria, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Finland and Sweden on the establishment of a Loan for Ukraine.

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[9] 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, ELI: http://data.europa.eu/eli/reg/2025/2600/oj).

(15) Given the financing position of Ukraine, the criticality that Ukraine has the resources to counter Russia's aggression and, where possible, reconstruct, it is appropriate that the Union provide additional support to address Ukraine's urgent financing requirements and facilitate the implementation of the IMF programme. To that end, it is appropriate to establish an instrument for providing Union support to Ukraine in 2026 and 2027 in the form of a loan to be repaid by reparations due by Russia (the 'Ukraine Support Loan').

(16) The Ukraine Support 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 Ukraine Support 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.

(17) The Ukraine Support Loan should, subject to conditions, provide support to Ukraine in the form of a loan of up to EUR 90 000 000 000. In view of the principle of sound financial management, the Ukraine Support Loan should be made available by the Commission in instalments, which may be disbursed in one or more tranches.

(18) The support to Ukraine under the Ukraine Support Loan should be made available under the precondition that Ukraine continues to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and to guarantee respect for human rights, including those of persons belonging to minorities. Upholding and respecting the rule of law should include the fight against corruption.

(19) The financial and economic assistance available under the Ukraine Support Loan should be made accessible to Ukraine in line with its financing needs. To that end, Ukraine should submit a Ukrainian Financing Strategy on its financing needs and sources. That Ukrainian Financing Strategy should contain the main information on Ukraine's budget, financial and economic situation, as well as the support that Ukraine is receiving from the international community.

PUBLIC

(20) The Commission should assess the Ukrainian Financing Strategy without undue delay and should act in close cooperation with Ukraine. Given the significant scale of Ukraine's needs for both budget assistance and assistance for defence industrial capacities, as well as the constraints that some external partners have on the provision of their support, it is appropriate to establish an indicative distribution of the Ukraine Support Loan between those two financing needs. Whilst ensuring that Ukraine's financing needs as calculated by the IMF for 2026 are fully addressed, that distribution should be indicative in order to reflect changing circumstances that may impact Ukraine's financing needs and to ensure that those needs continue to be addressed in a predictable, continuous, orderly, flexible and timely manner. In its assessment of the Ukrainian Financing Strategy, the Commission should consider the consistency of the expected external financing gap with that indicative distribution.

(21) In view of the importance of the financial effects of the measures imposed, implementing powers should be conferred on the Council which should act on the basis of a Commission proposal. The Council should approve the assessment of the Ukrainian Financing Strategy by means of an implementing decision, which it should endeavour to adopt without undue delay from the adoption of the proposal. That implementing decision should determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount for budget assistance and the amount for supporting Ukraine's defence industrial capacities.

(22) Financial and economic assistance in the form of budget assistance should be made available in view of supporting Ukraine in covering its financing needs. The financial and economic assistance under this Regulation provides important input into Ukraine's post-war economic recovery, long-term growth and prosperity all of which will have an important role to play in a future peace agreement. To ensure flexibility in addressing those needs, it is appropriate to use multiple means of delivery, where support should be able to be provided through macro-financial assistance and through a loan to be implemented pursuant to Chapter III of the Ukraine Facility.

(23) Chapter III of the Ukraine Facility provides for financing to Ukraine upon satisfactory fulfilment of the conditions laid down in the Ukraine Plan, which sets out the reform and investment agenda of Ukraine. As a medium-term instrument that has the objective to support Ukraine's recovery and reconstruction, gradual integration into the internal market, as well as, *inter alia*, the adoption and implementation of the political, institutional, legal, administrative, social and economic reforms required to align to Union values and to progressively align to Union rules, standards, policies and practices ('*acquis*') with a view to future Union membership, thereby contributing to mutual stability, security, peace, prosperity and sustainability, it is appropriate to provide for amounts stemming from the Ukraine Support Loan to be utilised through the Ukraine Facility. The Ukraine Plan should be updated to reflect these this additional budget assistance, including measures to strengthen the rule of law and the fight against corruption.

(24) Macro-financial assistance should be linked to policy conditions to be set out in the MoU. The MoU should include robust and ambitious reform commitments by Ukraine, including those to strengthen revenue mobilisation to support Ukraine's financing needs and tackle the root causes of corruption in public finances, including via improving the sustainability and quality of public expenditure and enhancing the efficiency, transparency and accountability of the public finance management systems. Such macro-financial assistance may be used by Ukraine to assist in the financing of compensation, as a form of reparations, to those individuals who have suffered damage from the illegal actions of Russia, including through the Claims Commission for Ukraine established under the auspices of the Council of Europe. The Council implementing decision approving the assessment of the Ukrainian Financing Strategy should establish the maximum number and indicative value of instalments for the macro-financial assistance. In view of the principle of sound financial management and to facilitate the Ukrainian authorities' liquidity management and ensure predictability, there should, in principle, be a maximum of four instalments of that macro-financial assistance.

PUBLIC

(25) In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to negotiate conditions for the macro-financial assistance with the Ukrainian authorities under the supervision of the committee of representatives of the Participating Member States in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[10]. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Considering the amount of the Ukraine Support Loan, the examination procedure should apply to the adoption of the MoU and to any reduction or cancellation of the Ukraine Support Loan.

(26) The Ukraine Support Loan should provide financial and economic assistance to Ukraine as a country at war, the financial stability of which is intrinsically linked to and depends on its ability to defend itself against the aggression. This justifies that a specific amount of the financial and economic assistance to Ukraine is used to increase Ukraine's capacity to cope with budgetary needs in relation with the capacity of the country to strengthen its defence and military capabilities, thereby contributing to providing Ukraine a qualitative military edge. This financial and economic assistance should 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. This assistance should contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base and through support for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

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[10] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

(27) Financial and economic assistance to support Ukraine's defence industrial capacities should be made available for activities, expenditures and measures related to defence products or other products for defence purposes that meet certain eligibility criteria. In order to urgently reinforce the Ukrainian defence industrial base in an efficient and autonomous manner, those eligibility criteria should be structured in a manner that directs the activities, expenditures and measures to support Ukraine's defence industrial capacities towards the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, taking into account its gradual future integration into the European Defence Technological and Industrial Base. In that context, when examining whether manufacturers are controlled by third countries or third-country entities, control should be understood as the ability to exercise a decisive influence over a legal entity, directly or indirectly, through one or more intermediate legal entities.

(28) In order to allow Ukraine to use the financial and economic assistance in the way that is the most adapted to the circumstances, it is appropriate to allow it to employ the funds to support Ukraine's defence industrial capacities by different implementation methods that reflect the diversity of the needs. The funds may also contribute to the Ukraine Support Instrument under Regulation (EU) [*the EDIP Regulation*], the Ukraine Investment Framework established by the Ukraine Facility for dual-use goods or other Union programmes. Moreover, the funds should allow Ukraine to engage in a massive intervention in the demand of defence products in order to create the suitable conditions to incentivise massive investments in the ramp up of the production capacity and in the development of new products. To this purpose, Ukraine should be allowed to use the funds to launch massive procurements of defence products made from the Ukrainian Defence Technological and Industrial Base and the European Defence Technological and Industrial Base via procurements under the SAFE Instrument set out by Council Regulation (EU) 2025/1106[11] or, subject to validations, under other modalities.

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[11] 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 (OJ L, 2025/1106, 28.5.2025, ELI: http://data.europa.eu/eli/reg/2025/1106/oj).

(29) For certain defence products whose underlying technologies are not widely available in the Union and which may be difficult to substitute at a large scale, such as air and missile defence systems and strategic enablers additional conditions should be required in order to ensure Ukraine's armed forces freedom related to those products without limitations imposed by third countries. Therefore, for such defence products, the manufacturer should have the ability to decide, without any restriction being imposed by third countries or third-country entities, on the definition, adaptation or evolution of the design of the defence products procured, including the legal authority to substitute or remove those components that are subject to restrictions imposed by third countries or by third-country entities.

PUBLIC

(30) To ensure a smooth implementation of this Regulation in conjunction with the SAFE Instrument, it is appropriate to apply similar eligibility conditions. The SAFE instrument supports the procurement of defence products as identified in the SAFE regulation. The list of products being part of Category 1 and 2 has been agreed by the Council, and it has proven comprehensive enough to allow support for the procurement of products needed by Member States, including air platforms. Given the constantly evolving situation on the battlefield, it is essential to avoid that the existence of a list of products that can be supported constrains Ukraine in getting the assistance it needs. Taking into account the fact that Ukraine is a country at war whose capacity to defend its territory might depend on the availability of a given product at very short term, Ukraine should be allowed to procure products which do not comply with these eligibility conditions where either no alternative product is available by procurement or where there is an urgent need for the delivery of a product. This may include but is not limited to air defence systems and interceptors, fighter aircraft ammunition and spare parts and deep-strike capabilities. For any derogation, the time for delivery of the product should be commensurate to the urgency of the situation and Ukraine's immediate operational needs. To that end, Ukraine should provide to the Commission the information reasonably available to it to demonstrate that a derogation is necessary, where whilst the war is ongoing, when Ukraine's needs are as such urgent, it should not require extensive market research. In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to examine such requests for derogations under the supervision of the committee of representatives of the Participating Member States in accordance with Regulation (EU) No 182/2011. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Due to the exceptional situation caused by Russia's war of aggression and the necessity for the timely availability of defence products, it is appropriate that the duly justified case referred to in Article 3(3) of Regulation (EU) No 182/2011 is invoked to allow for an opinion of the committee within a time limit which the chair of the committee may lay down according to the urgency of the matter. Where necessary, the written procedure referred to in Article 3(5) of that Regulation should be used.

PUBLIC

(31) To further ensure a smooth implementation of Regulation in conjunction with the SAFE Instrument, it is appropriate that there is the possibility to extend eligibility conditions to manufacturers within third countries that have concluded an agreement with the Union in accordance with Article 17 of Council Regulation 2025/1106 or to third countries that do not contravene the security and defence interests of the Union and its Member States which have not concluded such an agreement subject to certain conditions. Such possibility, however, should be limited to specific defence products.

(32) This Regulation is without prejudice to applicable international law prohibiting the use, development or production of certain defence products and technologies.

(33) The implementation of the assistance to support Ukraine's defence industrial capacities should be carried out in line with the principles of sound financial management ensuring the protection of the financial interests of the Union as set out in Article 223(4) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and the Council[12]. Detailed requirements in this respect might be entered into an arrangement to be signed between the Commission and Ukraine. Furthermore, for the management of the financial and economic assistance received to support Ukraine's defence industrial capacities, Ukraine should open a single account via which to manage the assistance, where the Commission should be able to monitor that account.

(34) To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission should establish the Ukraine's Defence Industrial Capacities Expert Group. That Expert Group should advise the Commission on matters related to the assistance to support Ukraine's defence industrial capacities.

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[12] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

(35) The Commission should monitor the implementation of assistance to support Ukraine's defence industrial capacities, notably including the delivery of products. To that end, various monitoring arrangements should be established to reflect the different methods of implementation.

(36) Directive 2009/81/EC of the European Parliament and of the Council[13] concerns, amongst other things, the establishment of an appropriate legislative framework on the coordination of procurement procedures for the award of contracts to meet the security requirements of Member States and the obligations arising from the TFEU. To achieve that aim, that Directive 2009/81/EC caters, in particular, for addressing crisis situations, notably by providing specific provisions applicable in cases of urgency resulting from a crisis, such as shortening periods for the receipt of tenders and the possibility to use the negotiated procedure without prior publication of a contract notice. However, in certain cases of urgency, those rules might be insufficient, especially where the urgency resulting from the crisis can be addressed only by having Ukraine and at least one Participating Member State engaging in a common procurement. In those cases, often the only solution that ensures the security interests of those countries is to open an existing framework agreement or contract of a Participating Member State to contracting authorities of Ukraine that was not originally party to it, even though that possibility had not been provided for in the original framework agreement or contract. As those possibilities are not foreseen in Directive 2009/81/EC at the moment of the entry into force of this Regulation, the latter provides for the possibility to complement or derogate from the provisions of that Directive in the current crisis situation stemming from the war of aggression of Russia, provided that the agreement of the undertaking which concluded the framework agreement is obtained. With respect to additional quantities for Ukraine, Ukrainian contracting authorities should enjoy the same conditions as the original contracting authority that concluded the original framework agreement. In addition, appropriate transparency measures should be taken to ensure that all potentially interested parties are informed.

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[13] Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76, ELI: http://data.europa.eu/eli/dir/2009/81/oj).

(37) Council Regulation (EU) 2025/1106 provides for financial assistance to Member States, enabling them to carry out urgent and major public investments in support of the European defence industry in response to the crisis situation resulting from the stark deterioration in the Union's security context. With that instrument, the Union started to support Member States so that they can place orders rapidly, incentivising the defence industrial sector to invest, in the very short term, in the strengthening of production capacities in order to be able to serve Member States needs by 2030. In addition, this Regulation supports the placement of Ukrainian orders with the European Defence Technological and Industrial Base in order to support the cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base. Such an exceptionally high demand for a wide range of defence products carries an imminent risk of a severe negative impact on the proper functioning of the internal market. In order to address this risk and in view of the objectives of this Regulation, taking into account the specific situation of Ukraine, prioritisation measures at Union level that aim to ensure the availability of the defence products concerned could prove to be indispensable in ensuring the proper functioning of the internal market for defence products and its supply chains. The Commission should be able to use in this respect, upon a request of a Participating Member State, priority-rated requests for facilitating the supply of defence products to meet the objectives of this Regulation.

PUBLIC

(38) Priority-rated requests should consist of requests by the Commission, upon an initiative of a Participating Member State, to relevant economic operators established in the Union to accept or to prioritise orders of crisis-relevant products. Only to be used when necessary and proportionate for the purpose of ensuring that defence supply chains can operate normally, those priority-rated requests should be aimed at supporting Ukraine which faces severe difficulties either in the placing of an order or in the execution of a contract for the supply of defence products. Economic operators should have the possibility to refuse to be subject to a priority-rated request. A priority-rated request should be taken based on objective, factual, measurable and substantiated data. It should have regard for the legitimate interests of the undertakings and the cost and effort required for any change in production sequence. When accepted, the obligation to perform the priority-rated request should take precedence over performance obligations under private or public law. In light of the importance of ensuring the supply of defence products, which are indispensable to the correct functioning of the internal market and its supply chains, compliance with the obligation to perform a priority-rated request should not entail liability to third parties for damages that might result from any breach of contractual obligations governed by the law of a Member State, to the extent that the breach of contractual obligations was necessary for compliance with the mandated prioritisation. Where the economic operator has expressly accepted a priority-rated request and the Commission has adopted an implementing act following such an acceptance, the economic operator should comply with all the conditions of that implementing act. Non-compliance by the economic operator with the conditions laid down in the implementing act should result in a loss of the benefit of a waiver of contractual liability. Where the non-compliance is intentional or attributable to gross negligence, the Commission should be able to impose on the economic operator a fine, subject to the proportionality principle.

(39) Given that specific amounts should be made available for budget assistance and assistance to support Ukraine's defence industrial capacities, coherence and complementarity should be ensured in their respective implementation.

(40) This Regulation should apply without prejudice to the specific character of the security and defence policy of certain Member States.

(41) This Regulation does not apply to Member States that are not participant to the enhanced cooperation. In this context, it should be recalled that the non-participation of certain Member States to this enhanced cooperation does not exempt them from the obligation to ensure the full enforcement of Article 325 TFEU and the Union acquis aiming at ensuring the protection of Union's financial interests, including Council Regulation (EC, Euratom) No 2988/95[14]; Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[15], Directive (EU) 2017/1371 of the European Parliament and of the Council[16], the rules of Regulation (EU, Euratom) 2024/2509 and where applicable, Council Regulation (EU) 2017/1939[17]. These Member States and the economic entities under their jurisdiction should thus fully collaborate with the Court of Auditor, OLAF, the Commission and, where applicable EPPO, in the exercise of their competences.

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14 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1, ELI: http://data.europa.eu/eli/reg/1995/2988/oj).

15 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/883/oj).

16 Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, p. 29, ELI: http://data.europa.eu/eli/dir/2017/1371/oj).

17 Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1, ELI: http://data.europa.eu/eli/reg/2017/1939/oj).

(42) The Ukraine Support Loan Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 signed between the Union and Ukraine that entered into force on 20 June 2024. That will ensure that the Union's financial interests linked to the Ukraine Support Loan are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. It will also, in accordance with Regulation (EU, Euratom) 2024/2509, grant the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors and, where applicable, the European Public Prosecutor's Office, including from third parties involved in the implementation of Union funds during and after the availability period of the Ukraine Support Loan. Ukraine should also report irregularities in relation to the use of the funds to the Commission, in line with the procedures provided for in the framework agreement under the Ukraine Facility.

(43) Given the difficult situation of Ukraine caused by Russia's war of aggression and in order to support Ukraine on its long-term stability path, it is appropriate for the Union to provide the Ukraine Support Loan as a limited recourse loan that is to become due and payable when Ukraine receives from Russia cash or non-monetary assets for war reparations, indemnities or any financial settlement from Russia, other than territory.

(44) The release of funds under the Ukraine Support Loan should be contingent on the positive assessment by the Commission of a request for funds submitted by Ukraine. For the macro-financial assistance, the assessment of the conditions should be without prejudice to the assessment of the fulfilment of conditions under other Union programmes and instruments. For the assistance to support Ukraine's defence industrial capacities, the release of funds should be linked to contracts or agreements for activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products or other products for defence purposes.

PUBLIC

(45) This Regulation should lay down appropriate provisions for the financing of the Ukraine Support Loan.

(46) In the context of Ukraine's financing needs, it is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 224 of Regulation (EU, Euratom) 2024/2509.

(47) In line with the firm support of 25 Heads of State and Government in the margins of the European Council of 18 December 2025, the Ukraine Support Loan should be repaid by Ukraine once reparations from Russia are received, and the Union reserves its right to make use of the Russian assets immobilised in the Union to repay the loan, in full accordance with EU and international law.

(48) By way of derogation from Article 31(3) of Regulation (EU) 2021/947 of the European Parliament and of the Council[18], the financial liability from loans under this Regulation should not be supported by the External Action Guarantee, established by that Regulation. Support in the form of loans under this Regulation should constitute financial assistance within the meaning of Article 223(1) of Regulation (EU, Euratom) 2024/2509. In considering the financial risks and the presence of guarantees, no provisioning should be constituted for the support in the form of loans under this Regulation, to be guaranteed over and above the ceilings, and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate should be set.

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[18] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (Text with EEA relevance) (OJ L 209, 14.6.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/947/2021-06-14).

(49) Given the situation of Ukraine, caused by Russia's war of aggression and to support it on its long-term stability path, it is appropriate to derogate from Article 223(4), point (e), of Regulation (EU, Euratom) 2024/2509 and to allow the Union the possibility to provide a borrowing costs subsidy to cover the costs that would otherwise be borne by Ukraine. These costs comprise debt service costs (cost of funding and cost of liquidity management) and related administrative costs. The borrowing costs subsidy to be granted is deemed appropriate to ensure the effectiveness of the support under the Ukraine Support Loan within the meaning of Article 223(1) of Regulation (EU, Euratom) 2024/2509, notably to avoid adding pressure on Ukraine's public finances.

(50) In accordance with Article 332 TFEU, expenditure other than administrative costs entailed for the institutions resulting from the enhanced cooperation should be borne by the Participating Member States. To that effect, Member States which do not participate in enhanced cooperation should be entitled to an adjustment in accordance with Article 11 of Council Regulation (EU, Euratom) No 609/2014[19] in respect of any operational expenditure borne by the Union budget, comprising in particular debt service costs, as well as calls on the guarantee. Administrative costs entailed for the institutions when implementing enhanced cooperation should be borne by the Union budget without any adjustment for the Member States which do not participate in enhanced cooperation.

(51) Union support to Ukraine under this Regulation should be managed by the Commission.

(52) The assistance to Ukraine under the Ukraine Support Loan should be additional and complementary to the Union support provided under the Ukraine Facility. The Commission should, wherever possible, seek to minimise the administrative and reporting burden on Ukraine.

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[19] 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, ELI: http://data.europa.eu/eli/reg/2014/609/oj).

(53) The Commission should duly take into account Council Decision 2010/427/EU[20] and the role of the European External Action Service, in line with their competences.

(54) The competent committee of the European Parliament might invite the Commission to discuss in a Ukraine Support Loan dialogue matters that concern the implementation of the Regulation. The Commission should take into account elements arising from the views expressed through the Ukraine Support Loan dialogue, including the resolutions from the European Parliament if provided.

(55) In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union assistance to Ukraine under this Regulation and provide them with the relevant documents.

(56) In order to ensure the continued effectiveness of the arrangements established by this Regulation, the Commission should regularly review their adequacy and report to the European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

(57) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.

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[20] Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30, ELI: http://data.europa.eu/eli/dec/2010/427/oj).

(58) Since the objectives of this Regulation, namely to provide financial and economic assistance to Ukraine for 2026 and 2027 in a predictable, continuous, orderly and timely manner with a view to supporting Ukraine in coverings its financing needs resulting from Russia's war of aggression, cannot be sufficiently achieved by the Member States but can rather, by reasons of their scale and effect, be better achieved at Union level, the Union may adopt measures, where appropriate by means of enhanced cooperation, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(59) In view of the urgency entailed by the exceptional circumstances caused by Russia's unprovoked and unjustified war of aggression, it is considered to be appropriate to invoke the exception to the eight-week period provided for in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.

(60) In light of the situation in Ukraine, this Regulation should enter into force as a matter of urgency on the day following that of its publication in the *Official Journal of the European Union*,

PUBLIC

HAVE ADOPTED THIS REGULATION:

CHAPTER I
GENERAL PROVISIONS

PUBLIC

Article 1

Subject matter

1. This Regulation implements enhanced cooperation on the establishment of an instrument for providing Union assistance to Ukraine for 2026 and 2027 in the form of a loan to be repaid by reparations due by Russia (the 'Ukraine Support Loan').

2. It lays down the objective of the Ukraine Support Loan, its financing, the forms of Union funding under it and the rules for providing such funding.

Article 2

Objectives of the Ukraine Support Loan

1. The general objective of the Ukraine Support Loan shall be to provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing needs notably resulting from Russia's war of aggression and Russia's non-payment of reparations due.

2. To achieve this general objective, the specific objectives of the Ukraine Support Loan shall be:

   a. To support macro-financial stability via easing Ukraine's external and internal financing constraints;

   b. to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

Article 3

Definitions

For the purposes of this Regulation the following definitions apply:

(1) 'defence product' means goods, services and works that fall within the scope of Directive 2009/81/EC, as set out in Article 2 thereof;

(2) 'EEA EFTA State' means a Member of the European Free Trade Association which is a member of the European Economic Area;

(3) 'ERA Loans' means eligible bilateral loans and the Union's Macro-financial Assistance loan pursuant to Regulation (EU) 2024/2773;

(4) 'Non-Participating Member State' means a Member State which does not participate in the enhanced cooperation established by Council Decision [*XX*];

(5) 'Participating Member State' means a Member State which participates in the enhanced cooperation established by Council Decision [*XX*];

(6) 'other products for defence purposes' means any good, service and work other than those falling within the scope of Directive 2009/81/EC, as set out in Article 2 thereof, which are necessary for or aimed at defence purposes.

PUBLIC

Article 4

Available assistance under the Ukraine Support Loan

1. The Ukraine Support Loan shall be for a maximum amount of EUR 90 000 000 000. That amount shall be made available to Ukraine in accordance with Ukraine's financing needs, as provided for in the Ukrainian Financing Strategy approved in accordance with Article 8.

2. The Ukraine Support Loan shall be available until 31 December 2027. It shall be made available by the Commission in instalments, which may be disbursed in one or more tranches. The disbursement of all such tranches shall take place by 31 December 2028.

3. If the financing needs of Ukraine decrease fundamentally during the period of availability of the Ukraine Support Loan, including in the event of a settlement by Russia of Ukraine's war damages, the Commission, acting in accordance with the examination procedure referred to in Article 27(3), may reduce the undisbursed amount of the Ukraine Support Loan or cancel it.

4. In accordance with Article 332 TFEU, Non-Participating Member States shall be entitled to an adjustment in accordance with Article 11 of Council Regulation (EU, Euratom) No 609/2014 in respect of expenditure financed from the voted budget resulting from the implementation of the enhanced cooperation other than administrative costs entailed for the institutions, borne by the Union budget. Such adjustment shall in particular comprise any debt service costs as well as calls on the guarantee.

PUBLIC

Article 5

Preconditions for assistance under the Ukraine Support Loan

1. A precondition for granting the assistance under the Ukraine Support Loan shall be that Ukraine continue to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system, the rule of law, and to guarantee respect for human rights, including the rights of persons belonging to minorities. Upholding and respecting the rule of law shall include the fight against corruption.

2. The Commission services and the European External Action Service shall monitor the fulfilment of the precondition set out in paragraph 1, in particular before the adoption of the Council implementing decision referred to in Article 8 and the release of funds referred to in Article 23. Furthermore, the monitoring shall take into account the relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission. The Commission shall inform the European Parliament and the Council of its monitoring.

PUBLIC

CHAPTER II

IMPLEMENTATION OF THE UKRAINE SUPPORT LOAN

PUBLIC

Article 6

Ukrainian Financing Strategy

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

2. The Ukrainian Financing Strategy shall contain:

   a. the main macroeconomic assumptions underpinning the Ukrainian Financing Strategy;

   b. information on Ukraine's budget, per quarter and year, including:

      i. the targeted budget balance for the general government, broken down by subsector of general government;

      ii. the projections for expenditure and revenue for the general government and its main subsectors, and their main components according to the economic classification;

      iii. relevant information on the general government expenditure by function, notably on defence;

      iv. a description and quantification of the expenditure and revenue measures to be included in the budget;

      v. an annex containing the methodology and assumptions, and any other relevant parameters underpinning the budgetary forecasts.

c. information on Ukraine's past and projected financial developments in the general government, per quarter and year, including:

   i. information on the liquidity situation (cash balance) for the general government and its main subsectors;

   ii. debt amortisations;

   iii. a debt issuance strategy;

   iv. other debt creating and reducing flows;

   v. the stock of payment arrears and its projected developments.

d. information on the implementation of previously granted assistance under the Ukraine Support Loan, including any financial recoveries thereof;

e. information on projected in-kind military assistance needs;

f. on the basis of Ukraine's budget and the projected in-kind military assistance needs, the expected external financing needs for the period covered by that Ukrainian Financing Strategy, including a breakdown of the amounts in that budget necessary for the purposes of Article 2(2)(a) and (b) of this Regulation. That breakdown shall contain the value of defence products to be purchased outside the Union and Ukraine;

g. committed and expected external financing and in-kind military assistance at the time of submission of the Ukrainian Financing Strategy for the period covered by that Ukrainian Financing Strategy, including a breakdown of the amounts of that external financing to be used in line with the purposes of Article 2(2)(a) and (b) of this Regulation;

PUBLIC

h. on the basis of the information in points (f) and (g) of this paragraph, the expected external financing gap for which Ukraine seeks assistance under the Ukraine Support Loan under that Ukrainian Financing Strategy, including a breakdown of the amounts of that expected external financing gap for the purposes of Article 2(2)(a) and (b) of this Regulation;

i. in order to support multiannual expenditure under Chapter IV of this Regulation, information on potential multiannual needs and a corresponding budget.

3. Ukraine may submit updated Ukrainian Financing Strategies until such time as the maximum amount of the Ukraine Support Loan as referred to in Article 4(1) has been made accessible under the Ukraine Support Loan in accordance with Article 8.

Article 7

Commission's assessment of the Ukrainian Financing Strategy

1. The Commission shall assess the Ukrainian Financing Strategy submitted in accordance with Article 6 without undue delay.

2. When carrying out the assessment referred to in paragraph 1, the Commission shall act in close cooperation with Ukraine. The Commission may make observations or seek additional information, including verifying information with Member States, third countries and international organisations. Ukraine shall provide any requested additional information and may revise the Ukrainian Financing Strategy if needed, including after its submission.

PUBLIC

3. The Commission shall assess the Ukrainian Financing Strategy and shall, in particular assess:

   a. the completeness, feasibility and coherence of the Ukrainian Financing Strategy with the underlying assumptions;

   b. the consistency of the information in the Ukrainian Financing Strategy with external sources, including any recent reviews of the International Monetary Fund and information from the Ukraine Donor Platform and the Ukraine Defence Contact Group;

   c. the consistency of the expected external financing gap with the following indicative distribution of the Ukraine Support Loan:

      i. EUR 30 000 000 000 for macro-financial assistance in accordance with Chapter III or for budget assistance in the form of a loan to be implemented under the Ukraine Facility pursuant to Chapter III of Regulation (EU) 2024/792;

      ii. EUR 60 000 000 000 to support Ukraine's defence industrial capacities in accordance with Chapter IV.

   d. compliance with the precondition set out in Article 5(1).

4. Where the Commission gives a positive assessment of the Ukrainian Financing Strategy, it shall, without delay, submit a proposal for a Council implementing decision in accordance with Article 8.

5. Where the Commission gives a negative assessment of the Ukrainian Financing Strategy, it shall, without delay, inform Ukraine, giving reasons for its assessment. A negative assessment shall not prevent Ukraine from submitting a revised Ukrainian Financing Strategy.

6. Where the Commission assesses an update to the Ukrainian Financing Strategy, the provisions of this Article shall apply.

PUBLIC

Article 8

Council implementing decision

1. Where the Commission makes a positive assessment of the Ukrainian Financing Strategy or its update, the Commission shall submit a proposal to the Council for an implementing decision making the financial and economic assistance accessible.

2. The Council implementing decision referred to in paragraph 1 shall:

   a. determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount of that assistance accessible:

      i. for budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792;

      ii. for macro-financial assistance in accordance with Chapter III;

      iii. to support Ukraine's defence industrial capacities in accordance with Chapter IV.

   b. establish the maximum number and indicative value of instalments for the assistance accessible for macro-financial assistance in accordance with Chapter III.

PUBLIC

3. The determination of the amounts of the Ukraine Support Loan to be made accessible shall:

   a. respect the maximum amount available for the Ukraine Support Loan provided in Article 4(1);

   b. take into account the need to ensure a fair burden sharing with other donors in the coverage of Ukraine's financing needs.

   c. for budget assistance, determine to what extent regular budget assistance can be provided in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792 or as macro-financial assistance, as appropriate.

4. The Council shall adopt the implementing decision referred to in paragraph 1 without undue delay.

Article 9

Complementarity and coordination

1. In the implementation of the Ukraine Support Loan, the Commission shall act in close cooperation with Ukraine, Member States, relevant international bodies and donors to Ukraine, notably through the Ukraine Donor Platform and the Ukraine Defence Contact Group, to ensure a coherent and consistent approach from those supporting Ukraine to address Ukraine's financial and economic assistance needs. In doing so, the Commission shall draw on the expertise of the European External Action Service.

2. Article 5, Article 7, Article 13, Article 14, Article 15 and Article 23(1)(b) shall apply in accordance with Decision 2010/427/EU.

PUBLIC

CHAPTER III
BUDGET ASSISTANCE IN THE FORM OF MACRO-FINANCIAL ASSISTANCE

PUBLIC

Article 10

Purpose

1. The macro-financial assistance shall contribute to covering Ukraine's financing gap, as identified in a positively assessed Ukrainian Financing Strategy.

2. The release of the macro-financial assistance shall be managed by the Commission on the basis of its assessment of the precondition referred to in Article 5 and of the satisfactory fulfilment of the policy conditions included in the memorandum of understanding referred to in Article 11.

Article 11

Memorandum of Understanding

1. In respect of the approved amounts of macro-financial assistance as referred to in Article 8(2)(a)(ii), the Commission shall agree with Ukraine on policy conditions to which the macro-financial assistance is to be linked. Those policy conditions shall be set out in a memorandum of understanding (MoU).

2. The policy conditions shall include robust and ambitious reform commitments, including those that aim, in particular, at strengthening revenue mobilisation to support Ukraine's financing needs and tackle the root causes of corruption in public finances, including via improving the sustainability and quality of public expenditure and enhancing the efficiency, transparency and accountability of the public finance management systems. Where relevant, those commitments shall be consistent with any programme that Ukraine has with the IMF whilst going further where appropriate. Progress in attaining the commitments shall be regularly monitored by the Commission.

3. The Commission shall approve the signature of the MoU and of its amendments by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 27(3).

PUBLIC

CHAPTER IV
ASSISTANCE TO SUPPORT UKRAINE'S DEFENCE INDUSTRIAL CAPACITIES

PUBLIC

Article 12

Purpose

1. 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. This assistance shall contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base and through support for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

2. The activities, expenditures and measures to support Ukraine's defence industrial capacities shall be related to defence products or other products for defence purposes and shall aim to:

   a. speed up the adjustment of the Ukrainian defence industry to structural changes, including through the creation and ramp-up of its manufacturing capacities as well as related supporting activities;

   b. improve the timely availability of defence products or other products for defence purposes for Ukraine, including through the reduction of their delivery lead time, reservation of manufacturing slots or stockpiling of defence products or other products for defence purposes, intermediate products or raw materials; or

c. enhance cross-border cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base, taking into account the defence industrial reinforcement and defence procurement needs of Ukraine, allowing for interchangeability of defence products or other products for defence purposes manufactured by the Ukrainian defence industry and the European defence industry.

Article 13

Eligibility

1. Activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products and other products for defence purposes shall be eligible for assistance provided that they comply with the eligibility conditions set out in this Article.

2. Defence products shall belong to one of the following categories:

   a. category one: ammunition and missiles; artillery systems, including deep precision strike capabilities; ground combat capabilities and their support systems, including soldier equipment and infantry weapons; small drones (NATO class 1) and related anti-drone systems; critical infrastructure protection; cyber; and military mobility including counter-mobility;

   b. category two: air and missile defence systems; maritime surface and underwater capabilities; drones other than small drones (NATO class 2 and 3) and related anti-drone systems; strategic enablers such as, but not limited to, strategic airlift, air-to-air refuelling, C4ISTAR systems as well as space assets and services; space assets protection; artificial intelligence and electronic warfare.

PUBLIC

3. The activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products or other products for defence purposes shall not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the Treaty on European Union, including respect for the principle of good neighbourly relations, or the objectives set out in Article 2 of this Regulation.

4. Defence products shall be produced in compliance with the following conditions:

   a. Manufacturers and subcontractors involved in the production shall be established and have their executive management structures in the Union, in an EEA EFTA State or in Ukraine. They shall not be subject to control by a third country which is not an EEA EFTA State or Ukraine or by another third-country entity which is not established in the Union, an EEA EFTA State or in Ukraine;

   b. By way of derogation from point (a), in order to take into account industrial cooperation with non-EU partners, defence products that involve a subcontractor involved in the production which is allocated between 15 % and 35 % of the value of the contract, and that is not established or does not have its executive management structures in the Union, EEA EFTA State or Ukraine, shall be eligible providing that at least one of the following conditions are met:

      i. a direct contractual relationship related to the defence product has been established between the manufacturer and that subcontractor prior to 28 May 2025;

      ii. the manufacturer commits to studying, within two years, the feasibility of replacing the input provided by that subcontractor with an alternative, restriction-free input originating in the Union, EEA EFTA States or Ukraine, and meeting technical and time requirements.

PUBLIC

c. By way of derogation from point (a), defence products involving manufacturers or subcontractors established in the Union and controlled by another third country or by another third-country entity which is not an EEA EFTA State or Ukraine shall be eligible if this manufacturer or subcontractor has been subject to screening within the meaning of Regulation (EU) 2019/452 and, where necessary, to appropriate mitigation measures, or if this manufacturer provides guarantees in accordance with point (d) verified by the Member State in which it is established;

d. The guarantees referred to in point (c) of this paragraph shall provide assurances that the involvement of the manufacturer or subcontractor in the production of the defence product does not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the Treaty on European Union. Those guarantees shall in particular substantiate that, for the purposes of activities, expenditures and measures, measures are in place to ensure that:

   i. control over the manufacturer or subcontractor is not exercised in a manner that restrains or restricts its ability to carry out the activities, expenditures and measures supported; and

   ii. access by a non-associated third country or by a non-associated third-country entity to classified or sensitive information relating to the defence product produced is prevented and the employees or other persons involved in the production of the defence product have national security clearance issued by a Member State, where appropriate, in accordance with national laws and regulations.

PUBLIC

e. The infrastructure, facilities, assets and resources of the manufacturers and subcontractors involved in the production shall be located in the territory of a Member State, an EEA EFTA State or Ukraine. Where manufacturers or subcontractors involved in the production have no readily available alternatives or relevant infrastructure, facilities, assets and resources in the territory of a Member State, an EEA EFTA State or Ukraine, they may use their infrastructure, facilities, assets and resources which are located or held outside those territories, provided that such use does not contravene the security and defence interests of the Union and its Member States;

f. Manufacturers and subcontractors involved in the production may be considered to fulfil the eligibility conditions referred to in this paragraph where they have fulfilled equivalent conditions under Regulations (EU) 2018/1092[21], (EU) 2021/697[22], (EU) 2023/1525[23], or (EU) 2023/2418[24] of the European Parliament and of the Council or under Regulation (EU) 2025/1106 and provided that no subsequent changes call into question the fulfilment of those conditions;

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21 Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry (OJ L 200, 7.8.2018, p. 30, ELI: http://data.europa.eu/eli/reg/2018/1092/oj).

22 Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170, 12.5.2021, p. 149, ELI: http://data.europa.eu/eli/reg/2021/697/oj).

23 Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7, ELI: http://data.europa.eu/eli/reg/2023/1525/oj).

24 Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418, 26.10.2023, ELI: http://data.europa.eu/eli/reg/2023/2418/oj).

g. The cost of components originating outside the Union, EEA EFTA States and Ukraine shall not be higher than 35 % of the estimated cost of the components of the defence product. No component shall be sourced from a third country that contravenes the security and defence interests of the Union and its Member States;

h. For defence products related to category two as referred to in paragraph 2 of this Article, manufacturers shall have the ability to decide, without restrictions imposed by third countries or by third-country entities, on the definition, adaptation and evolution of the design of the defence product procured, including the legal authority to substitute or remove components that are subject to restrictions imposed by third countries or by third-country entities;

i. For the purposes of this paragraph, 'subcontractors involved in the production' means any legal entity which provides critical inputs that possess unique attributes essential for the functioning of a product, which is allocated at least 15 % of the value of the contract, and which needs access to classified information for the performance of the contract.

5. By way of derogation from paragraphs 2 and 4 and in full respect of paragraph 3, where there is an urgent need for the delivery of a given defence product stemming from Russia's war of aggression against Ukraine, the procurement of a defence product which does not comply with one or more of the conditions set out in paragraphs 2 and 4 shall be eligible for financial assistance under this chapter provided that:

a. there is no equivalent product that responds to that urgent need which complies with the conditions set out in paragraphs 2 and 4 or it is not available at the required scale; or

b. the delivery lead time for such a product is significantly shorter than for a product which would comply with the conditions set out in paragraphs 2 and 4, even if this product were subject to a priority rated request as referred to in Article 19.

PUBLIC

In such a case, Ukraine shall provide the information reasonably available to it demonstrating that the conditions for the application of this derogation are met to be checked by the Commission without undue delay.

The procurement of defence products from manufacturers established in third countries other than EEA EFTA States and Ukraine shall be made only where there are no other alternatives available in the Union, EEA EFTA States and Ukraine under the circumstances described in points (a) and (b). In the context of point (b), that information shall include a legal commitment on compliance with the delivery lead time.

The Commission shall approve such derogations by means of implementing acts, acting in accordance with the examination procedure referred to in Article 27(3).

6. Where applicable, Participating Member States shall ensure that the procurement procedures and contracts for other products for defence purposes resulting from procurements receiving support under the Ukraine Support Loan contain appropriate eligibility conditions to protect the security and defence interests of the Union and its Member States.

7. By way of derogation from paragraph 4, contributions in accordance with point (e) of paragraph 8 of this Article shall be utilised in line with the eligibility conditions of the respective Union programme.

PUBLIC

8. Activities, expenditures and measures related to defence products or other products for defence purposes shall be implemented within one of the following methods of implementation:

   a. procurements by Ukraine, subject to the procurement and delivery being validated by the Commission or Participating Member States. Ukraine shall be responsible for such procurements in accordance with Ukrainian law, where validations by the Commission or Participating Member States shall include on a sample basis checks on contractual documentation, invoices and delivery certificates, physical inspections to suppliers and physical verification of deliveries;

   b. procurements by Ukraine that are a common procurement in accordance with Regulation (EU) 2025/1106;

   c. agreements between Ukraine and Member States or the European Defence Agency;

   d. procurement agreements between Ukraine and international or intergovernmental organisations;

   e. contributions by Ukraine to the Ukraine Support Instrument established by [*EDIP Regulation*], the Ukraine Investment Framework established by Regulation (EU) 2024/792 for dual-use goods or other Union programmes.

   Activities, expenditures and measures related to other products for defence purposes may also be implemented by procurements by Ukraine for procurements below EUR 7 000 000, provided that sound financial management and the protection of the financial interest of the Union are ensured.

9. Contracts entered into by Ukraine relating to procurements, agreements or contributions referred to in paragraph 8 shall be eligible if signed after 14 January 2026 provided that they comply with the requirements set out in this Article.

PUBLIC

10. The Commission shall be empowered to adopt a delegated act in accordance with Article 26 to supplement this Regulation by extending eligibility to certain defence products from third countries other than EEA EFTA States and Ukraine that do not contravene the security and defence interests of the Union and its Member States and have concluded an agreement with the Union in accordance with Article 17 of Council Regulation 2025/1106.

    This possibility shall be limited to the following defence products:

    (a) air defence systems and interceptors;

    (b) missiles, including deep-strike capabilities;

    (c) drones;

    (d) fighter aircrafts, their ammunitions and spare parts;

11. Nothwistanding paragraph 10, the delegated act may also extend eligibility to the same defence products from third countries that do not contravene the security and defence interests of the Union and its Member States and which have not concluded such an agreement, provided that they fulfil the following conditions:

    (a) have entered into a Security and Defence Partnership with the European Union and

    (b) are providing financial and military support to Ukraine in a significant manner.

    The delegated act shall specify, for each of the third countries concerned, whether the eligibility shall be extended for all the defence products referred to in the first subparagraph or only for some of them.

PUBLIC

Article 14

Product schedules

1. In respect of the approved amounts of assistance to support Ukraine's defence industrial capacities as referred to in Article 8(2)(a)(iii), Ukraine shall draw up a schedule for each activity, expenditure or measure related to a defence product or other product for defence purposes for which it intends to request assistance. That schedule shall set out:

   a. a description of the defence product or other product for defence purposes;

   b. information on compliance with Article 13.

2. Ukraine shall consult the schedule with the Commission with a view of ensuring compliance with Article 13. Should Ukraine not identify a method of implementation in accordance with Article 13(8) or should the Commission consider that an alternative method of implementation is more economical, efficient or effective, the Commission may propose a method of implementation to Ukraine. When proposing to Ukraine the most appropriate method of implementation, the Commission shall take into consideration the timeliness of delivery of the relevant product, activity, expenditure or measure, the prices available, the past experience with that method of implementation and, where warranted, past experience with manufacturers under that method of implementation. In determining whether an alternative method of implementation is more economical or when considering the prices available, the Commission shall take into consideration any co-financing that is to be provided by Member States.

PUBLIC

3. By derogation from paragraph 1, Ukraine shall not be required to draw up a schedule for implementation in accordance with Article 13(8)(e).

Article 15

Ukraine's Defence Industrial Capacities Expert Group

1. To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission shall establish the Ukraine's Defence Industrial Capacities Expert Group.

2. In addition to representatives of the Commission services the European External Action Service, and the European Defence Agency, the Ukraine's Defence Industrial Capacities Expert Group shall include representatives of Participating Member States and EEA EFTA States. Third countries referred to in Article 13(10) shall be permitted to nominate representatives. Ukraine shall be invited to the meetings of the Ukraine's Defence Industrial Capacities Expert Group as appropriate.

3. The Ukraine's Defence Industrial Capacities Expert Group shall provide advice, expertise and support on the defence products and other products for defence purposes, on the method of implementation, and where appropriate, on the derogations under Article 13(5) and the product schedules.

PUBLIC

Article 16

Administration of the assistance to support Ukraine's defence industrial capacities

Ukraine shall open a special account for the sole purpose of the management of the financial and economic assistance received to support Ukraine's defence industrial capacities. In relation to this account:

a. all payments of the contracts or agreements that are requested for assistance to support Ukraine's defence industrial capacities shall be paid from this account;

b. the Commission shall be granted monitoring rights of this account;

c. Ukraine shall provide the Commission with a monthly report, to be submitted within 10 working days of the end of each month, containing the following information:

   i. the date and amount of each payment made from the account during the preceding month;

   ii. the name of the recipient of each payment;

   iii. a description of the purpose of each payment and how it relates to the contracts or agreements submitted in requests for funds;

   iv. any other information as may be reasonably requested by the Commission.

PUBLIC

Article 17

Monitoring of implementation

1. The Commission shall monitor the implementation of assistance to support Ukraine's defence industrial capacities, notably including the delivery of products, in accordance with this Article.

2. For procurements by Ukraine in accordance with Article 13(8), point (a), that are validated by the Commission, the Commission shall utilise the validation process therein.

3. For procurements by Ukraine in accordance with Article 13(8), point (a), that are validated by Participating Member States, the Participating Member State shall monitor the implementation of the procurement and the delivery in accordance with that provision and report to the Commission.

4. For procurements by Ukraine in accordance with Article 13(8), point (b), the Participating Member States that are part of such a common procurement shall monitor the implementation of the procurement and the delivery and report to the Commission. Where in the context of a common procurement under Regulation (EU) 2025/1106 a Non-Participating Member State agrees to be bound by and to apply the eligibility rules set out in this Regulation, ensures the protection of the financial interests of the Union and is the contracting authority which acts on behalf of the other countries, Ukraine shall require as a condition of its participation that the Non-Participating Member State monitors the implementation of the procurement and the delivery and report to the Commission.

5. For agreements between Ukraine and Participating Member States in accordance with Article 13(8), point (c), the Participating Member State shall monitor the implementation of the agreement and the delivery and report to the Commission. For agreements between Ukraine and Non-Participating Member States in accordance with Article 13(8), point (c), Ukraine shall include in such agreements obligations on the respective Non-Participating Member State to be bound by and to apply the eligibility rules set out in this Regulation, to ensure the protection of the financial interests of the Union and to monitor the implementation of the agreement and the delivery and report to the Commission.

PUBLIC

6. For agreements between Ukraine and the European Defence Agency in accordance with Article 13(8), point (c), the European Defence Agency shall monitor the implementation of the agreement and the delivery and report to the Commission.

7. For procurement agreements between Ukraine and international or intergovernmental organisations in accordance with Article 13(8), point (d), Ukraine shall include in such procurement agreements obligations on the respective international or intergovernmental organisations to monitor the implementation of the procurement and the delivery and to report to the Commission.

8. Paragraphs 1 to 7 shall not apply to procurements by Ukraine in accordance with Article 13(8) regarding activities, expenditures and measures related to other products for defence purposes below EUR 7 000 000. However, Ukraine shall regularly report to the Commission on how it monitors the implementation of these procurements and delivery. The Commission shall undertake risk-based controls.

9. Should the Commission be notified by Ukraine of the non-implementation of a contract in accordance with Article 20(2), point (g), or become aware of the non-delivery of products under this Article or the non-use of funds in the account referred to in Article 16, the Commission shall engage with Ukraine to repurpose those funds in accordance with the provisions of this Regulation.

PUBLIC

Article 18

Modification of framework agreements or contracts

1. Where activities, expenditures and measures related to defence products are implemented through the methods referred to in paragraph 8(b) or (c) of Article 13 within the Union, the rules provided for in paragraphs 2 to 4 shall apply to an existing framework agreement or contract that has as its object the purchase of defence products, which is used in that implementation method, and which does not provide for the possibility to substantially amend it. When applying paragraphs 2 and 3, the contracting authority that concluded the framework agreement or contract shall obtain the prior agreement of the undertaking with which it has concluded that framework agreement or contract.

2. A contracting authority of a Participating Member State may modify an existing framework agreement or contract for defence products, where that framework agreement or contract has been concluded with an undertaking complying with criteria equivalent to those laid down in Article 13(4) and (5) of this Regulation, in order to add Ukraine as a party to that framework agreement or contract.

3. By way of derogation from Article 29(2), third subparagraph, of Directive 2009/81/EC, a contracting authority of a Participating Member State may make substantial amendments to the quantities set out in a framework agreement or contract, with an estimated value above the thresholds laid down in Article 8 of Directive 2009/81/EC, where that framework agreement or contract has been concluded with an undertaking that complies with criteria equivalent to those laid down in Article 13(4) and (5) of this Regulation, and insofar as the modification is strictly necessary for the application of paragraph 2 of this Article.

4. For the purpose of calculating the value referred to in paragraph 3, the updated value shall be the reference point when the contract includes an indexation clause.

5. A contracting authority which has modified a framework agreement or contract in the cases referred to in paragraph 2 or 3 of this Article shall publish a notice to that effect in the Official Journal of the European Union in accordance with Article 32 of Directive 2009/81/EC.

6. In the cases referred to in paragraphs 2 and 3, the principle of equal rights and obligations shall apply between the contracting authorities which are party to the framework agreement or contract, in particular regarding the cost of additional quantities procured.

Article 19

Voluntary prioritisation of defence products

1. For the sole purpose of this Regulation and where Ukraine is confronted with severe difficulties in the placing or in the execution of a contract for the supply of defence products that are urgently needed and meet the eligibility requirements set out in Article 13(4) or (5), an economic operator together with the Participating Member State on the territory of which its production site is located may jointly submit a request to the Commission to issue a prioritisation measure to prioritise a certain order of such products manufactured by that economic operator.

2. The joint request referred to in paragraph 1 shall include the following elements:

   a. The initial request from Ukraine;

   b. The list of products to be subject to the prioritisation measure, their specifications and the quantities in which they are to be supplied;

   c. The time limits within which the delivery of these products is to be completed;

   d. Evidence that the economic operator cannot meet the request from Ukraine referred to in point (a) without a prioritisation measure;

   e. An indication of a fair and reasonable price at which the prioritisation measure could be placed as well as elements substantiating that price.

PUBLIC

3. Upon reception of a request as referred to in paragraph 1, the Commission shall assess that request without undue delay.

4. The Commission shall base its assessment referred to in paragraph 3 on objective, factual, measurable and substantiated data, with the aim of determining whether such prioritisation is indispensable in order to address the severe difficulties referred to in paragraph 1.

5. Where the assessment referred to in paragraph 3 concludes that the prioritisation is indispensable, the Commission, by means of an implementing act, shall adopt a prioritisation measure setting out:

   a. the legal basis of the priority-rated request to be complied with by the economic operator;

   b. the list of products subject to the priority-rated request, their specifications and the quantities in which they are to be supplied;

   c. the time limits within which the priority-rated request is to be completed;

   d. the beneficiaries of the priority-rated request;

   e. the scope of contractual obligations over which the priority-rated request shall have precedence;

   f. the waiver of contractual liability under the conditions laid down in paragraph 7 of this Article; and

   g. the penalties provided for in paragraphs 12 to 18 of this Article for non-compliance with the obligations stemming from that implementing act.

   The implementing act referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 27(3).

PUBLIC

6. The prioritisation measure referred to in paragraph 5 shall:

   a. be placed at a fair and reasonable price, adequately taking into account the economic operator's opportunity costs when fulfilling the prioritisation measure as compared to existing contractual obligations; and

   b. take precedence over any contractual obligations under private or public law related to the defence products subject to the prioritisation measure, under the conditions laid down in the implementing act referred to in paragraph 5.

7. The economic operator subject to a prioritisation measure pursuant to paragraph 5 shall not be liable for any breach of contractual obligation that is governed by the law of a Participating Member State, provided that:

   a. the breach of contractual obligation is strictly necessary for compliance with the required prioritisation;

   b. the implementing act referred to in paragraph 5 has been complied with; and

   c. the request referred to in paragraph 1 did not have the sole purpose of unduly avoiding a prior performance obligation under private or public law.

8. The economic operator subject to a prioritisation measure may request the Commission to modify the implementing act referred to in paragraph 5 where it considers it to be duly justified based on one of the following grounds:

   a. the economic operator is unable to perform the prioritisation measure on account of insufficient production capability or production capacity, even under preferential treatment of the request;

   b. completion of the prioritisation measure would place an unreasonable economic burden on, and entail particular hardship for, the economic operator.

PUBLIC

9. The economic operator shall provide all relevant and substantiated information to allow the Commission to assess the merits of the request for modification referred to in paragraph 8.

10. Based on the examination of the reasons and evidence provided by the economic operator, the Commission may, after consultation and prior agreement of the Participating Member State on the territory of which the relevant production site of the economic operator concerned is located, amend its implementing act to release, partially or in totality, the economic operator concerned from its obligations under this Article.

11. Where an economic operator, after having expressly accepted to prioritise the orders requested by the Commission, intentionally or through gross negligence does not comply with the obligation to prioritise those orders, it shall be subject to fines set out in paragraphs 12 to 18 of this Article, except where:

    a. the economic operator is unable to perform the priority-rated request on account of insufficient production capability or production capacity, or on technical grounds; or

    b. performance or completion of the request would place an unreasonable economic burden on, and entail particular hardship for, the economic operator, including substantial risks relating to business continuity.

    The revenue from the fines shall constitute external assigned revenue within the meaning of Article 21(5) of the Regulation (EU, Euratom) 2024/2509 to an external assistance programme under which Ukraine is eligible.

12. Where it deems it to be necessary and proportionate, the Commission may, by way of implementing acts, impose on the economic operators fines not exceeding EUR 300 000 where the economic operator, intentionally or through gross negligence, does not comply with the obligation to perform the priority-rated request pursuant to this Article.

    The implementing acts referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 27(3).

PUBLIC

13. Before taking a decision pursuant to paragraph 12, the Commission shall provide an opportunity for the economic operator concerned to be heard in accordance with paragraph 15. The Commission shall take into account any duly reasoned justification presented by the economic operator for the purpose of determining whether fines are deemed necessary and proportionate.

14. In fixing the amount of the fine, the Commission shall take into consideration the nature, gravity and duration of the infringement, including whether the economic operator has partially complied with the priority-rated order or the priority-rated request.

15. Before adopting a decision pursuant to paragraph 12, the Commission shall ensure that the economic operators concerned have been given the opportunity to submit observations on:

    a. the preliminary findings of the Commission, including any matter in relation to which the Commission has raised objections;

    b. the measures that the Commission may intend to take in view of the preliminary findings pursuant to point (a) of this paragraph.

16. The economic operators concerned may submit to the Commission their observations on the Commission's preliminary findings within a time limit which shall be fixed by the Commission in its preliminary findings, and which may not be less than 14 working days.

17. The Commission shall base its imposition of fines only on objections on which the economic operators concerned have been able to comment.

PUBLIC

18. Where the Commission has informed the economic operators concerned of its preliminary findings as referred to in paragraph 15, it shall give access, if so requested, to the Commission's file under the terms of a negotiated disclosure, subject to the legitimate interest of economic operators in the protection of their business secrets, or in order to preserve business secrets or other confidential information of any person. The right of access to the file shall not extend to confidential information and internal documents of the Commission or the authorities of the Participating Member States, in particular to correspondence between the Commission and the authorities of the Participating Member States. Nothing in this paragraph shall prevent the Commission from disclosing and using information necessary to prove an infringement.

19. This Article is without prejudice to the rights of the Participating Member States to protect their essential security interests in accordance with Article 346(1)(b) TFEU.

PUBLIC

CHAPTER V
FINANCING AND IMPLEMENTATION

PUBLIC

Article 20

Ukraine Support Loan Agreement

1. The detailed financial terms of the Ukraine Support Loan shall be laid down in the Ukraine Support Loan Agreement.

2. In addition to the elements laid down in Article 223(4) of Regulation (EU, Euratom) 2024/2509, the Ukraine Support Loan Agreement shall require that:

   (a) the Ukraine Support Loan shall be a limited recourse loan that shall become due and payable upon the occurrence of a repayment trigger as defined in subparagraph (j);

   (b) Ukraine shall provide the Union a security interest over its claim on Russia for reparations as security for the Ukraine Support Loan. The value of that security interest shall at any given time be equal to the value of disbursed funds under the Ukraine Support Loan;

   (c) the rights, responsibilities and obligation provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 apply to this Ukraine Support Loan Agreement and the funds therein;

   (d) the amount of assistance referred to in Article 8(2)(a)(i) shall be implemented in accordance with Chapter III of Regulation (EU) 2024/792, with the exception of rules on the duration and repayment of the loan, including borrowing cost subsidy, which shall be governed by the rules of this Regulation;

(e) Ukraine utilises the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792, including beyond the availability period referred to in Article 6(2) in that Regulation;

(f) the Commission have the right to monitor activities, expenditures and measures under Chapter IV of this Regulation that are carried out by the Ukrainian authorities, along the whole project cycle;

(g) Ukraine immediately notify the Commission should a draft contract or agreement financed through the Ukraine Support Loan not be implemented;

(h) Ukraine continues to respect the precondition set out in Article 5(1);

(i) Ukraine does not reverse any measure taken under any other current or previous instruments of support provided by the Union or IMF concerning anti-corruption;

(j) Ukraine shall be liable for the repayment of the principal of the Ukraine Support Loan within 30 days, if any of the following conditions are fulfilled, each constituting a repayment trigger for the purposes of this Regulation:

i. the receipt of cash by Ukraine for war reparations, indemnities or any financial settlement from Russia, up to the amount of such settlement; or

ii. 90 days from the receipt of non-monetary assets by Ukraine for war reparations, indemnities or any financial settlement from Russia, except territory, up to the amount of such settlement which shall be determined by an independent valuation. Upon request of Ukraine, the Commission may grant an extension of this timeframe if strictly warranted; or

iii. that Ukraine is in breach of subparagraph (h); or

iv. it has been established that, in relation to the management of the Ukraine Support Loan, Ukraine has engaged in any act of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.

PUBLIC

(k) Ukraine is liable to repay the Ukraine Support Loan:

i. in the event of subparagraph (j), points (i) and (ii), for an amount of the monetary value of the war reparations, indemnities or any financial settlement from Russia equal to the proportion of the Ukraine Support Loan outstanding against the sum of the value of the Ukraine Support Loan outstanding, any outstanding reparations loans provided by G7 members and any outstanding liabilities under ERA Loans;

ii. in the event of subparagraph (j), point (iii), for the total outstanding amount of the Ukraine Support Loan;

iii. in the event of subparagraph (j), point (iv), for the value of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.

(l) any amounts of the Ukraine Support Loan not covered by the liability referred to in subparagraph (k) shall remain in place until future repayment trigger events occur;

(m) in case of payments or recoveries, Ukraine shall indicate the relevant payments from the Ukraine Support Loan that are being repaid or recovered;

(n) the Union have the right to make use of Russian assets immobilised in the Union to repay the loan, in full accordance with Union and international law;

(o) Ukraine shall ensure that the procurement procedures and contracts for other products for defence purpose resulting from procurement receiving support under the Ukraine Support Loan contain appropriate eligibility conditions to protect the security and defence interests of the Union and its Member States.

The Ukraine Support Loan Agreement shall also include any other requirements needed for the implementation of the Ukraine Support Loan, including those necessary to implement Article 17 of this Regulation.

PUBLIC

3. Non-compliance with the terms of the Ukraine Support Loan Agreement shall constitute a ground for the Commission to suspend or cancel, in full or in part, the release of the instalment or tranches. Non-compliance with repayment terms of the Ukraine Support Loan Agreement shall additionally constitute a ground for the total or part of the outstanding amount of the Ukraine Support Loan to become due and payable.

4. The Ukraine Support Loan Agreement shall be made available, upon request, simultaneously to the European Parliament and to the Council.

Article 21

Request for funds

1. To receive financial and economic assistance, Ukraine shall submit to the Commission a duly justified request for funds. Such a request for funds may be submitted by Ukraine to the Commission, in principle, six times a year. For budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792, the request for funds shall be submitted in accordance with Chapter III of Regulation (EU) 2024/792.

2. For macro-financial assistance, the request for funds shall be accompanied by a report in accordance with the provisions of the MoU.

3. For assistance to support Ukraine's defence industrial capacities:

   (a) the request for funds may cover multiple products. For each covered product, the request for funds shall contain a contract or agreement in compliance with Article 13 and a schedule in accordance with Article 14. Such contracts or agreements may be signed or in a finalised draft form;

   (b) if the request for funds requests funding for an amount greater than 20% of the amount made accessible in accordance with the Council implementing decision referred to in Article 8, Ukraine shall provide a detailed justification, including on the impact for future requests for funds under that decision.

PUBLIC

Article 22

Borrowing costs subsidy

1. By way of derogation from Article 223(4), point (e), of Regulation (EU, Euratom) 2024/2509 and subject to available resources, the Union may bear the costs arising from the borrowing for a loan to Ukraine that would otherwise be borne by Ukraine ('borrowing costs subsidy'). These costs comprise service costs (cost of funding, cost of liquidity management, and cost of service for administrative overheads related to the borrowing and lending).

2. Ukraine may request the borrowing costs subsidy referred to in paragraph 1 each year. The Commission may award the borrowing costs subsidy for an amount not exceeding the limits of the appropriations made available in the context of the budgetary procedure.

Article 23

Decision on the release of assistance

1. The Commission shall decide on the release of assistance subject to its assessment of the following requirements:

   (a) for macro-financial assistance:

      i. compliance with the precondition set out in Article 5(1);

      ii. the satisfactory fulfilment of the policy conditions set out in the MoU referred to in Article 11; and

      iii. compliance with the Ukraine Support Loan Agreement referred to in Article 20.

PUBLIC

(b) for assistance to support Ukraine's defence industrial capacities:

i. compliance with the precondition set out in Article 5(1);

ii. confirmation that the contracts or agreements are for products in compliance with Article 13 and that the Commission does not object to the methods of implementation;

iii. confirmation that Ukraine broadly respects the qualitative and quantitative steps contained in the Annex to Implementing Decision (EU) 2024/1447 and any amendments thereto;

iv. compliance with the obligations referred to in Article 16 and the Ukraine Support Loan Agreement referred to in Article 20; and

v. to the extent necessary, the adequacy of the detailed justification of Ukraine, taking into account the situation in Ukraine and the committed and expected external financing available.

For budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792, the release of assistance shall be implemented in accordance with Chapter III of Regulation (EU) 2024/792.

2. Subject to compliance with the amount of assistance accessible provided for in the Council implementing decision adopted in accordance with Article 8, where the Commission makes a positive assessment of the request for funds, it shall adopt, without undue delay, a decision authorising the disbursement of the Ukraine Support Loan. For assistance to support Ukraine's defence industrial capacities, that amount to be disbursed shall be equal to the value of the contracts or agreements included in the request for funds.

PUBLIC

3. The Commission may proceed with the decision referred to in paragraph 2 for points (a) and (b) under paragraph 1 collectively or individually.

4. Where the Commission gives a negative assessment to the request for funds, it shall, without undue delay, inform Ukraine, giving reasons for its assessment. A negative assessment shall not prevent Ukraine from submitting a new request for funds.

Article 24

Financing of the Ukraine Support Loan

1. In order to finance the assistance under the Ukraine Support Loan, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions under the diversified funding strategy referred to in Article 224 of Regulation (EU, Euratom) 2024/2509.

2. The borrowing and lending operations for the Ukraine Support Loan shall be carried out in euro.

3. By way of derogation from Article 31(3), second sentence, of Regulation (EU) 2021/947, the financial assistance provided to Ukraine under the Ukraine Support Loan shall not be supported by the External Action Guarantee. No provisioning for the Ukraine Support Loan shall be constituted and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate shall be set.

PUBLIC

Article 25

Application of the rules on classified information and sensitive information

1. Classified information that is created, handled, stored, exchanged or shared under this Regulation shall be protected in accordance with the security rules set out in Commission Decision (EU, Euratom) 2015/444[25] or the Agreement between the Member States of the European Union, meeting within the Council, regarding the protection of classified information exchanged in the interests of the European Union, as appropriate.

2. The Commission shall use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Participating Member States.

3. The Commission shall have access to information, including classified information, necessary for the tasks assigned to it under this Regulation, in particular for the purpose of verifying the conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, reports as well as the controls and audits, as referred to in Article 20.

4. Information received as a result of the application of this Regulation shall be used only for the purpose for which it was requested.

5. The Commission and Participating Member States shall ensure the protection of trade and business secrets and other sensitive information acquired and generated in application of this Regulation in accordance with Union law and respective national law.

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[25] Commission Decision (EU, Euratom) 2015/444 of 13 March 2015 on the security rules for protecting EU classified information (OJ L 72, 17.3.2015, p. 53, ELI: http://data.europa.eu/eli/dec/2015/444/oj).

CHAPTER VI
FINAL PROVISIONS

PUBLIC

Article 26

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 13 shall be conferred on the Commission for an indeterminate period of time from seven days after the entry into force of this Regulation.

3. The delegation of power referred to in Article 13 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 13 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 27

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. The EDA shall be invited to provide its views and expertise to the committee as an observer. The EEAS shall also be invited to assist in the work of the committee.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 28

Ukraine Support Loan dialogue

1. In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the Commission to discuss the implementation of this Regulation.

2. The European Parliament may express its views in resolutions as regards the Ukraine Support Loan.

3. The Commission shall take into account any elements arising from the views expressed through the Ukraine Support Loan dialogue, including the resolutions from the European Parliament if provided.

PUBLIC

Article 29

Information to the European Parliament and to the Council

1. The Commission shall inform the European Parliament and the Council of developments regarding the implementation of this Regulation, including Article 4(4), Article 6(1), Article 7(5), Article 11(4), Article 20(3) and Article 23(2) and shall provide those institutions with the relevant documents without undue delay. Information transmitted by the Commission to the Council in the context of this Regulation or its implementation shall simultaneously be made available to the European Parliament, subject to confidentiality arrangements if necessary.

2. By 30 June 2027 and 30 June 2028, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Regulation in the preceding year, including an evaluation of that implementation. That report shall:

   (a) examine progress made in implementing the Ukraine Support Loan;

   (b) provide information on the monitoring referred to in Article 17; and

   (c) assess the economic situation and prospects of Ukraine, as well as progress made in implementing the policy conditions referred to in Article 11(1).

3. By 30 June 2029, the Commission shall submit to the European Parliament and to the Council an evaluation report, assessing the results and efficiency of the Ukraine Support Loan provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

PUBLIC

Article 30

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

For those Member States which participate in enhanced cooperation by virtue of a decision adopted pursuant to Article 331(1) TFEU, second or third subparagraph, this Regulation shall apply as from the date indicated in the decision concerned.

This Regulation shall be binding in its entirety and directly applicable in the participating Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

PUBLIC