As Russia's war continues on the ground and in the air, Europeans propose a large loan to Ukraine based on frozen assets.

UK Defense Intelligence map of the battlefield situation in Ukraine as of October 10.

As Friday's British Defence Intelligence map of the battlefield situation in Ukraine indicates, last week the Russian forces continued to attack the Ukrainian forces at a number of locations extending from the area south of Sudzha in the Russian region of Kursk toward the city of Sumy to the area along the border north of Kharkiv, the area southeast of Kupiansk, the area west of the city of Chasiv Yar, toward the city of Pokrovsk and the area around it, and in Kherson region adjacent to the Dnipro River in southeastern Ukraine. But they also attacked at a number of locations not identified on the map – against the Ukrainian forces defending the cities of Lyman, Slovyansk, Kramatorsk, Kostyantynivka, and Toretsk in Donetsk region and those defending Orikhiv and the other cities and towns along the front line in Zaporizhzhia region and Kherson region in southeastern Ukraine.

The General Staff of the Ukrainian Armed Forces reported that over the seven days last week from Sunday through Saturday, the Russian forces conducted a total of 1,480 attacks against the Ukrainian forces defending the cities and towns in northeastern, eastern, and southeastern Ukraine. In the previous week, the Russian forces conducted a total of 1,134 attacks against the Ukrainian forces defending those cities and towns. As in previous weeks, the largest number of Russian attacks last week were directed against the Ukrainian forces defending Pokrovsk, which, if taken would open a pathway toward the cities and towns in Donetsk region that are still held by Ukraine. Over the seven days last week, the Russian forces conducted a total of 425 attacks against the forces defending Pokrovsk and the area around it. In the previous week, those forces

conducted a total of 369 attacks against the forces defending Pokrovsk and the area around it.

While Russia's war against Ukraine continued on the ground in northeastern, eastern, and southeastern Ukraine, Russia also continued to attack the cities and towns of Ukraine with drones and missiles. Last Thursday night and early Friday morning, for example, Russia attacked apartment buildings and public facilities in Kyiv, Lviv, and a number of other cities as well as the energy infrastructure and the electricity grid. The Ukrainian Ministry of Defense reported that Russia fired a total of 465 drones and 32 missiles at Kyiv and other cities, damaging or destroying a number of apartment buildings, power plants, and other energy infrastructure, and killing or wounding a number of men, women, and children.

For some time, the European leaders have been debating among themselves how they might best provide Ukraine with the financial support it urgently needs in order to defend itself from Russia's continued aggression while also supporting its people and rebuilding the country's damaged infrastructure and public facilities. One possibility that has been discussed for some time would involve using the financial assets of the Russian Central Bank and Russian individuals and firms that are frozen in European banks and other institutions as the basis for a loan to Ukraine. There are approximately €210 billion in frozen Russian financial assets in European banks.

In her "State of the Union Address" on Sept. 9, European Commission President von der Leyen proposed that the EU use the frozen financial assets of the Russian central bank and financial institutions for a substantial loan to Ukraine: "We need more support for Ukraine. No one has contributed as much as Europe – close to €170 billion of military and financial aid so far. More will be needed. And it should not only be European taxpayers who bear the brunt of this. This is Russia's war. And it is Russia that should pay. That is why we need to work urgently on a new solution to finance Ukraine's war effort on the basis of the immobilized Russian assets. With the cash balances associated to these Russian assets, we can provide Ukraine with a Reparations Loan. The assets themselves will not be touched. And the risk will have to be carried collectively. Ukraine will only pay back the loan once Russia pays for the reparations."

It's obviously a big question whether Russia would ever pay for the reparations, which might mean, of course, that the EU and its member states would be obliged to repay the individuals and entities whose cash balances were used to assist Ukraine. Nevertheless, a number of European leaders, perhaps most importantly Chancellor Merz in an oped in the *Financial Times* on Sept. 26, immediately supported the idea. In his oped, Merz proposed that the EU make available to Ukraine an interest-free loan of almost €140 billion from the assets of the Russian central bank and financial institutions that are now frozen in Europe – a loan that would only be repaid once Russia has compensated for the damage it has caused during the war. The loan would require budgetary guarantees from the member states which would, as soon as the EU's next Multiannual Financial Framework is in place in 2028, be replaced by collateralization under the EU's long-

term budget. Merz suggested the decision should ideally be unanimous. But failing that – presumably because Hungary and/or Slovakia, the leaders of which are generally supportive of and aligned with President Putin, might block it – he suggested it be adopted by the large majority of member states that are firmly committed to supporting Ukraine. He also suggested that other non-EU states that have frozen Russian assets participate in the loan. The purpose of the loan, he emphasized, would be strictly for financing Ukraine's military equipment, rather than for general budgetary purposes, payments would be disbursed in tranches, and the member states and Ukraine would jointly decide on the use of the funds.

Last Thursday, the European Parliament adopted a resolution calling on the EU and G7 member states to immediately approve a proposal to use the Russian financial assets that are currently frozen in banks and other financial institutions for a loan to Ukraine, with repayment by Ukraine contingent on future Russian reparations. It said it "reiterates its call on member states, together with their G7 partners, to immediately approve the Commission's proposal to use all frozen Russian assets as a basis for a significant grant and loan to Ukraine, with repayment contingent on future war reparations paid by Russia, as a legally sound and financially significant way to maintain and increase EU support for Ukraine's military needs, including combating drones."

On Friday, Merz, President Macron, and Prime Minister Starmer announced they had reached an agreement on using the frozen Russian assets to support the Armed Forces of Ukraine. They said the decision would be implemented in cooperation with the U.S. In their statement the E3 said, "We condemn Russia's escalatory attacks in Ukraine and systematic targeting of critical national infrastructure that remains vital to provide light and heat to Ukrainian civilians through the winter. We will increase pressure on Russia as President Putin continues his stalling tactics and abhorrent attacks in response to peace talks. To that end, we are ready to progress towards using, in a coordinated way, the value of the immobilized Russian sovereign assets to support Ukraine's armed forces and thus bring Russia to the negotiation table. We aim to do this in close cooperation with the United States of America. We agree to develop further bold and innovative mechanisms to increase the cost of Russia's war and ramp up pressure. This includes driving forward action on the Russian shadow fleet. Our countries will remain steadfast in their support for Ukraine, including through the Coalition of the Willing."

And the war goes on, with no end in sight.

David R. Cameron
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