As the war on the ground and in the air continues,
the U.S. & EU approve new sanctions on Russia

UK Defense Intelligence map of the battlefield situation in Ukraine as of October 24.

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 from the area south of Sudzha in the Russian region of Kursk to the area on the border north of Kharkiv and along the long contact line in eastern and southeastern Ukraine extending from east of the city of Kupiansk to the area around Chasiv Yar, toward the city of Pokrovsk and the area around it, and in Zaporizhzhia and Kherson regions in southeastern Ukraine. But they also attacked the Ukrainian forces defending a number of other cities in eastern Ukraine, including Lyman, Slovyansk, Kramatorsk, Kostyantynivka and Toretsk in Donetsk region, and those defending Orikhiv and other cities and towns along the front line in Zaporizhzhia and Kherson regions in southeastern Ukraine.

The contact line has barely changed over the last two months. But it would be wrong to say the war has become a "frozen conflict." It is not "frozen." Russian and Ukrainian troops continue to attack each other at many points along the contact line every day and large numbers of troops on both sides are wounded or killed every day. 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 1,082 attacks against the Ukrainian forces defending the cities and towns in northeastern, eastern, and southeastern Ukraine. 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 northward 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 404 attacks against the forces defending Pokrovsk and the area around it. Importantly, the daily reports late last week also indicated that some Russian forces had begun moving into some of the peripheral areas on the eastern edge of Pokrovsk, and over the weekend the General Staff reported that several hundred Russian troops were in the city. If and when the Russian forces take the city, it will be regarded by both sides as an important development – and for the Russians a major victory, comparable to their victory in May 2023 after a long siege over the forces defending Bakhmut.

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 Wednesday night Russia fired 405 drones sand 28 ballistic and cruise missiles at Kyiv, Kharkiv, and other cities. Last Thursday night 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 in an attack the Ukrainian Ministry of Defense said involved 465 drones and 32 missiles and damaged or destroyed a number of apartment buildings, power plants, and other energy infrastructure, and killed or wounded a number of men, women, and children. On Friday night, Russia fired 62 drones and 9 missiles at Kyiv and other cities, and on Saturday night it hit Kyiv again with 101 drones, destroying apartment buildings, killing three, and injuring 26 adults and 7 children.

While Russia's war against Ukraine continued both on the ground and in the air last week, the U.S. and the EU, frustrated by President Putin's continued refusal to move toward a ceasefire and peace talks, imposed additional sanctions on Russia. On Wednesday, the day after President Trump cancelled a meeting with Putin in Budapest, saying "I don't want to have a wasted meeting," the U.S. followed the UK decision a week earlier and imposed sanctions on Lukoil and Rosneft, Russia's two largest oil companies that together produce half of Russia's total output and arranged for secondary penalties against any states doing business with the two companies or their subsidiaries.

For some time, the EU leaders have been debating among themselves how they might provide Ukraine with the financial support it urgently needs in order to defend itself from Russia's continuing 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 reportedly more than €200 billion in Russian financial assets that are frozen 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."

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 €140 billion from the assets of the Russian central bank and financial institutions that are now frozen in Europe – a loan that would be repaid only after Russia has compensated Ukraine 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, 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.

On Oct. 9, 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 Oct. 10, Chancellor 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 leaders 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."

Last Monday, the foreign ministers of the EU member states met in Luxembourg and agreed on a 19th package of sanctions on Russia. The foreign ministers also agreed on a €140 billion EU loan based on the frozen financial assets of the Russian central bank and financial institutions, most of which are held at Euroclear, the EU's central financial depository in Brussels. Prior to last Thursday's meeting of the European Council, António Costa, the Council president, said, "Today in this European Council we will take the political decision to ensure the financial needs of Ukraine for 2026 and 2027, including for acquisition of military equipment. Ant this is a very strong message to Russia. We said repeatedly that we will support Ukraine as long as necessary and whatever it takes. And now we have concretized this."

At Thursday's meeting, the EU leaders adopted the 19th package of sanctions on Russia that adds another 69 individuals to the list of Russians who are sanctioned and a number of restrictive measures targeting key sectors of the Russian economy that assist its war against Ukraine, including the energy and finance sectors and the military-industrial complex. The EU also strengthened its control over the movement of Russian diplomats in the EU and took further measures against those responsible for abducting Ukrainian children. The package also included further measures on Belarus. The package introduces a ban on imports of Russian liquified natural gas into the EU starting in January 2027 for long-term contracts and within six months for short-term contracts, and it and tightens the existing ban on transactions with Rosneft and Gazprom. It also includes additional sanctions on Russia's shadow fleet and bans another 117 vessels from EU ports and services, bringing the total number of vessels subjected to those bans to 557. The package also includes a ban on reinsuring vessels belonging to the shadow fleet and it extends a transaction ban to a number of banks and oil traders and prohibits operators from engaging with the Russian payments system. Russian diplomats will henceforth be obliged to inform EU states in advance of their travel in the EU beyond their country of accreditation and EU states may impose additional limitations on Russian diplomats. The package includes 45 new entities that are directly supporting Russia's military and industrial complex and will be subject to tighter export restrictions. The EU is also expanding the existing ban on electronic and chemical components used in military equipment and is making prior authorization mandatory for any and all services provided to the Russian government and Russian entities.

Like the package of sanctions, the proposal to lend Ukraine €140 billion based on the frozen Russian financial assets required unanimous approval by the 27 leaders of the member states in last Thursday's meeting and many assumed that Hungarian Prime

Minister Orbán would oppose the loan. But he stayed away from the meeting for most of the day and in the portion of the meeting he attended he reportedly stayed out of the discussion of Ukraine. He didn't support the EU's subsequent written summary of the discussion of Ukraine but that was inconsequential since another leader – Bart De Wever, the Prime Minister of Belgium – objected to the proposal. De Wever was apparently fearful that Russia would retaliate and seek financial compensation through legal action against Belgium, which is where Euroclear, which holds almost €41 trillion in custody for more than 4,000 clients, is located. As a result, the proposal was tabled for the time being and will presumably be considered again at the European Council's next meeting on Dec. 18-19.

At the press conference following last Thursday's European Council meeting, President Costa said, "We have said many times that we will support Ukraine as much as necessary for as long as it takes. Today, we reached three important agreements: First, European leaders committed to ensure that Ukraine's financial needs will be covered for the next two years. We have asked the Commission to put forward 'options' as soon as possible, so that Ukraine has the resources it needs to continue defending itself and fight for a just and lasting peace in 2026 and 2027, if it's necessary. Russia should take good note of this: Ukraine will have the financial resources it needs to defend itself against Russia's aggression in the foreseeable future. Now the technical, legal and financial aspects of Europe's support need to be worked on, and we will return to this issue in the December European Council. Second, we adopted the 19th sanctions package, which will increase our pressure on Russia and further damage its war machine. Third, member states agreed to strengthen measures and coordinate actions to disrupt Russia's shadow fleet. To sum up: We continue to use all means at our disposal to put Ukraine in a position of strength if and when negotiations with Putin start. We hope this moment comes soon. But no matter the circumstances, our message is clear: Europe will not let Ukraine down."

David R. Cameron
October 27, 2025