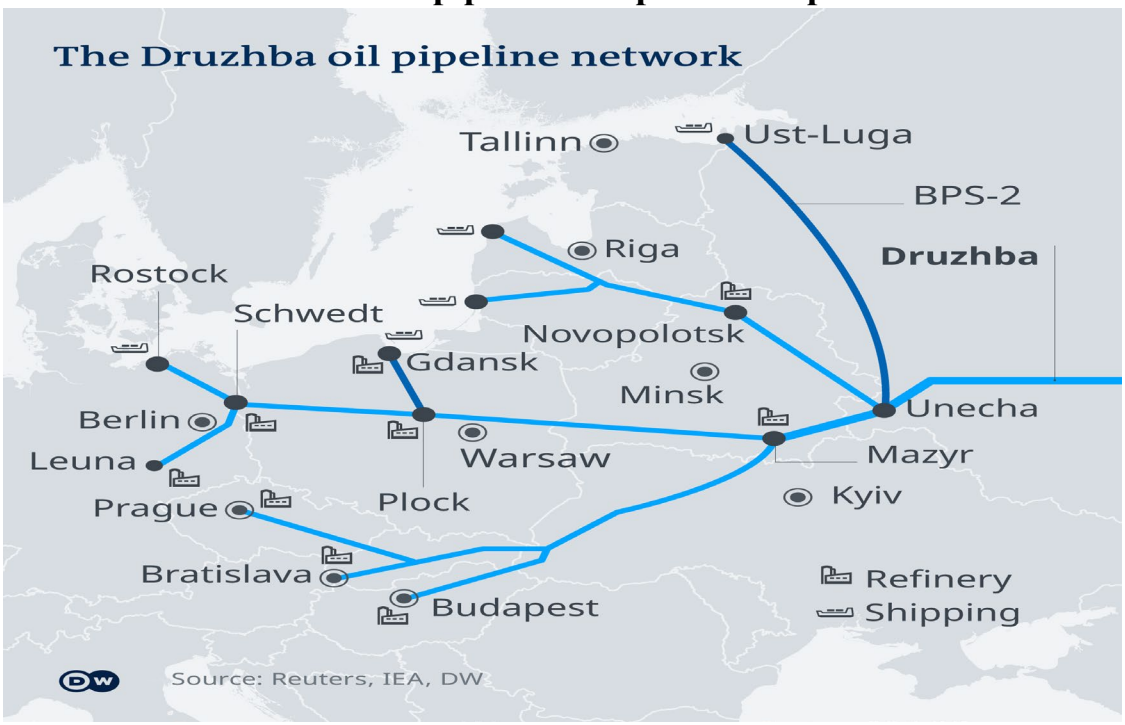
Orbán says he'll approve EU loan for Ukraine if Druzhba pipeline is repaired & open



On March 19, the leaders of the 27 member states of the European Union, meeting as the European Council in Brussels, overwhelmingly supported a €90 billion loan for Ukraine, notwithstanding the lack of support of the leaders of the Czech Republic and Slovakia and the unambiguous opposition of Hungarian Prime Minister Orbán, who said he was vetoing the loan although it wasn't clear that he had the power to do so since the loan had already been approved under the EU's rules pertaining to "enhanced cooperation." The EU leadership and almost all of the governments of the member states made it clear that they intended to move forward with the loan, notwithstanding the non-support of two member states and the strong opposition of a third.

"Enhanced cooperation," as defined in Article 20 of the Treaty on European Union (TEU) and Title III of the Treaty on the Functioning of the EU (TFEU), is a procedure in which nine or more member states may establish advanced cooperation or integration in a particular field within the EU when it has become clear that the EU as a whole cannot achieve the goals of such cooperation within a reasonable period. It allows the member states to move at different speeds and toward different goals and allows a member state to stay outside the area in which the other member states engage in enhanced cooperation. It is designed to overcome a stalemate when a particular proposal is blocked by one or more member states which do not want to take part. Authorization to proceed with enhanced cooperation is granted to the Council as a last resort, on a proposal from the Commission and after obtaining the consent of the Parliament.

On the basis of "enhanced cooperation," it was agreed that any mobilization of resources of the Union's budget as a guarantee for the loan will not have an impact on the financial obligations of the Czech Republic, Slovakia, and Hungary. In short, those three states won't be obliged to contribute any resources as a guarantee for the loan. It was also agreed that the loan won't be repaid by Ukraine until it receives reparations from Russia, and that the Russian financial assets frozen in EU financial institutions will remain frozen and may be used to repay the loan if Russia refuses to pay reparations to Ukraine.

The other EU leaders quickly condemned Orbán's veto. António Costa, the President of the European Council, said Orbán's effort to block the loan was "completely unacceptable" and a "clear violation of the principle of sincere cooperation. Nobody can blackmail the European institutions." He warned that it was likely to disrupt "the continuity of the decision-making process" enshrined in EU law. Speaking of the reactions of the other leaders at the meeting, he said, "The words were tough because the situation deserved these words," adding that no EU member state "had dared before to block a decision we had already taken. A deal is a deal. We need to honor our word. And no one can blackmail the European Council."

A number of EU leaders sharply rebuked Orbán as well, and not only at the meeting on March 19 but also publicly. Chancellor Merz called Orbán's veto "an act of serious disloyalty…This will leave its mark. This is a serious violation of the principle of loyalty of the member states amongst each other, and it damages the standing of the European Union." Speaking to reporters the next day, Merz said, "Colleagues who have been members of the European Council far longer than I have were deeply angered by what happened today. It is a gross act of disloyalty within the European Union. I am firmly convinced it will leave deep marks."

President Macron also condemned Orbán's veto: He said the meeting's outcome was "unprecedented" and the earlier unanimous agreement on the loan "must be respected and implemented without delay, in accordance with the principle of loyal cooperation." Immediately after the meeting, 25 of the 27 leaders – all but Orbán and Prime Minister Fico of Slovakia – issued a joint statement in which they said they "look forward to the first disbursement to Ukraine by the beginning of April." Orbán for his part said his government will maintain its veto on the loan until Russian oil deliveries move westward through the Druzhba (Friendship) pipeline: "I will never support any kind of decision here which is in favor of Ukraine. The Hungarian position is very simple. We are ready to support Ukraine when we get our oil, which is blocked by them."

On Feb. 4, the Council of the EU, which consists of the foreign ministers of the member states, agreed on the legal framework implementing the European Council's agreement to provide a €90 billion loan to Ukraine for 2026-2027. The loan will be financed through EU borrowing on the capital markets and will be backed by the EU budget and will become repayable only once Russia has paid war reparations to Ukraine. On Feb. 11, the European Parliament approved the loan of €90 billion to Ukraine by a vote of

458 to 140, with 44 abstaining. The loan will consist of €30 billion in macroeconomic and budgetary support to Ukraine and €60 billion to support Ukraine's investment in defense industrial capacity and the procurement of military equipment.

Following the formal approval of the loan by both the Council and the Parliament, on March 19 the EU leaders formally approved the loan on the basis of "enhanced cooperation," notwithstanding the non-support of two member states and the opposition of Hungary. It was at that point, and notwithstanding the fact that "enhanced cooperation" requires the approval of only nine member states and that it was stipulated that Hungary, like Slovakia and the Czech Republic, wouldn't be obliged to contribute any resources as a guaranteed for the loan, that Orbán vetoed the loan. Orbán's opposition to the loan appears to have been motivated by two issues – the failure of Ukraine to repair the Druzhba (Friendship) pipeline that delivers Russian oil to Hungary and Slovakia, and the possibility that he might lose the election on April 12.

On March 19 as he arrived at the European Council meeting, Orbán said, "We would like to get the oil which is ours from the Ukrainians and which is blocked by the Ukrainians. I will never support any kind of decision here which is in favor of Ukraine if the Hungarians are not able to get the oil which belongs to us." And on March 25, he announced that Hungary would stop supplying gas to Ukraine if the westward movement of Russian oil through the pipeline was not restored. But as difficult as it was for Hungary and Slovakia with the pipeline closed, it was of course not surprising that Ukraine refused to repair it, given that the delivery of Russian oil to Hungary and Slovakia would result in payments to Russia that would support its war against Ukraine.

On April 1, the Commission, disregarding Orbán's attempt to block the EU loan to Ukraine, moved forward with it. It proposed that the Council provide €45 billion in support for Ukraine by December 31, 2026, with the remaining €45 billion to be made available to Ukraine in 2027. European Commission President von der Leyen said, "We will deliver on the €90 billion loan to Ukraine. Today, we are taking the necessary preparatory steps to mobilize this year's budget and procure defense equipment, with a focus on Ukraine's cutting-edge drone industry. With this we send a clear message: the Commission stands ready to move forward. As we mark four years since the Bucha massacre, we remain fully and firmly behind the brave people of Ukraine and their fight for freedom." Bucha is a small city just west of Kyiv in which more than 500 men, women and children were killed by Russian troops in late February and March of 2022.

As important as Ukraine's continued delay in repairing the damaged oil pipeline was in prompting Orbán's opposition to the EU loan, there was another obvious reason for his opposition to it – the fact that he faced an election on April 12 and the polls by firms not affiliated with the government indicated – correctly, as it turned out – that his party, Fidesz, would lose to Tisza, the center-right and pro-EU Respect and Freedom Party led by Péter Magyar. And indeed, on April 12 Tisza won a huge victory over Fidesz. The National Assembly consists of 199 members – 106 of whom are elected in single-member constituencies on a first-past-the-post basis and 93 of whom are elected in

national constituencies via proportional representation. In the 106 single-member constituencies, Tisza won 96 seats and Fidesz won 10, a huge setback from the 87 constituencies it had won in the April 2022 election. In the 93 constituencies which are allocated on the basis of each party's share of the party-list vote, Tisza received 53.2 percent of the vote and won 45 seats, giving it a total of 141 seats in the 199-seat National Assembly. Fidesz, which had won 54.1 percent of the party-list vote in 2022, won only38.6 percent of the party-list vote and 42 seats, giving it, along with its 10 constituency seats, a total of only 52 seats in the National Assembly, a loss of 83 from the 135 seats it won in 2022. (The far-right Our Homeland Movement won 5.6 percent of the party list vote and 6 seats in the National Assembly.)

The day after the election Magyar called on President Tamas Sulyok to convene the National Assembly to form a new government "as quickly as possible" and two days later he said that, during a meeting with the president to discuss the convening of the new parliament, he had told the president, who was a supporter of Orbán, that he too should resign: "I repeated to him that, in my eyes and in the eyes of the Hungarian people, he is unworthy of embodying the unity of the Hungarian nation, incapable of ensuring respect for the law."

Yesterday, Orbán said in a post on X that he will approve the EU's €90 billion loan to Ukraine once oil is flowing westward in the Druzhba pipeline: "Through Brussels, we have received an indication from Ukraine that they are ready to restore oil deliveries via the Friendship [Druzhba] pipeline as early as Monday, provided that Hungary lifts its blockade of the €90 billion EU loan. Hungary's position has not changed: no oil = no money. Once oil deliveries are restored, we will no longer stand in the way of approving the loan. The disbursement of the loan does not impose a financial burden or obligation on Hungary." As of this evening, Hungary still has not received any oil.

President Zelenskyy has said the pipeline may not be fully repaired until the end of April, but tests on the repaired infrastructure of the pipeline are scheduled to begin tomorrow. The ambassadors of the 27 EU member states are scheduled to meet on Wednesday and the Cypriot presidency of the Council has included the loan to Ukraine on the agenda of the meeting for formal approval. If the oil is flowing in the pipeline by then, Hungary will presumably drop its threat to veto the loan and it will be approved. But even if, as seems more likely, the pipeline is still being repaired, Hungary may be persuaded to nevertheless drop its threat to veto the loan and allow it to be approved. So all eyes will be on the work in Ukraine tomorrow on the pipeline and then on the meeting Wednesday in Brussels.

David R. Cameron
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