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United in willingness?

The enhanced cooperation turn of
the EU's Ukraine funding crisis

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Abstract

In December 2025, the European Council approved a €90 bn loan to cover Ukraine's financing needs for 2026–2027, backed by the EU budget headroom. This marked a pragmatic turn after the initial proposal to leverage €210 bn in immobilised assets from the Central Bank of Russia for a Reparations Loan encountered insurmountable resistance. Belgium, as host to most of the assets, demanded unlimited guarantees to shield itself from litigation and retaliation risks, while, most prominently, Hungary refused to support several proposals that require unanimous decision-making. The final agreement is anchored in the EU treaties, such as enhanced cooperation, the EU's 'Crisis Article' and tested Macro Financial Assistance schemes. This allowed the 24 Member States that consented to proceed without the dissenting ones, whilst keeping the assets immobilised.

Adopting a mechanistic approach, this analysis, based on elite interviews and publicly available sources, traces how preference divergence, politico-technical bargaining, and legal-institutional constraints shaped this outcome. The study examines the mismatch between the expectation to leverage the assets and the political reality of divergent national interests and institutional hurdles. It finds that, while the EU lowered expectations, it demonstrated new assertiveness in its Common Foreign and Security Policy (CFSP), using tools it had long avoided to bypass the unanimity gridlock.

Key words: CFSP, EU Economic Statecraft, EU Inter-institutional cooperation, Enhanced Cooperation, Ukraine

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List of abbreviations

BE	Belgium
BIT	Bilateral Investment Treaty
COREPER	Committee of Permanent Representatives to the EU
CBR	Central Bank of Russia
CEG	Consensus Expectations Gap
CFSP	(EU) Common Foreign and Security Policy
CPF	(EU) Common Provisioning Fund
CSDs	Central Security Depositories
CZ	The Czech Republic
DG	(European Commission) Directorate General
DE	Germany
EC	European Commission
ECB	European Central Bank
EIB	European Investment Bank
EP	European Parliament
EPF	European Peace Facility
ERs	Extraordinary Revenues
ERA	Extraordinary Revenues Acceleration
EU	European Union
EUCO	European Council
EU24	Group of 24 EU Member States
FR	France
FDI	Foreign Direct Investment
GNI	Gross National Income
G7	Group of Seven
HU	Hungary
IT	Italy
LI	Liberal Intergovernmentalism
LIRM	Legal-Institutional Resolution Mechanism
LRL	(EU) MFF headroom-backed Limited Recourse Loan
MFA	Macro-Financial assistance
MFF	(EU) Multiannual Financial Framework
MoFA	Ministry of Foreign Affairs
MSs	(EU) Member States
PDM	Preference Divergence Mechanism
PermRep	Permanent Representation to the EU
PM	Prime Minister
PT	Process Tracing
PTBM	Politico-Technical Bargaining Mechanism
RL	(EU) CBR assets-backed Reparations Loan
SK	Slovakia
SotEU	State of the Union
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UA	Ukraine
US	United States of America
USSR	Union of Soviet Socialist Republics
QMV	Qualified Majority Voting

1. Introduction

'I have always believed that Europe would be built out of crises, and that it would be the sum of the solutions to these crises. But these solutions had to be proposed and implemented.' This citation from the 1976 memoir of Jean Monnet, one of the European Union (EU¹)'s founding fathers, still resonates with present-day Europe in myriad ways.

In the aftermath of Russia's illegal annexation of Crimea and Sevastopol in March 2014 and the destabilisation of Eastern Ukraine, the EU progressively imposed various sanctions under its Common Foreign and Security Policy (CFSP). Russia's subsequent full-scale invasion of Ukraine in February 2022 not only prompted the EU to expand its existing sanctions regime but also to immobilise approximately €210 bn in Central Bank of Russia's (CBR) assets², held, amongst others, by Central Security Depositories (CSDs) through coordination at the G7 level and beyond. The United States (US), from the beginning of the second Trump administration in January 2025 onwards, significantly reduced its own support for Ukraine³, and whilst government debt increasingly strains EU Member State budgets⁴, support for Ukraine, now mainly contingent on the funding by the EU and Member States (MSs), has become crucial. Despite efforts to facilitate rapprochement between Kyiv and Moscow, the war drags on. This puts the question of sustainable European financial and military support at the centre stage of any peace-related discussions on Ukraine (UA).

Against this background, the latter has been highly dependent upon support from its allies. The EU has been able to sustain some of UA's needs via the transfer of Macro-Financial Assistance (MFA) packages and of Extraordinary Revenues⁵ (ERs), generated by the reinvestment of the CBR assets⁶, held in the form of cash balances at the CSDs.

¹ At applicable instances, 'EU' will be used instead of 'European Communities'

² European Council, Council of the EU (23.04.2026), 'EU sanctions against Russia: questions and answers', <https://www.consilium.europa.eu/en/policies/sanctions-against-russia-explained/> (accessed 29 April 2026)

³ See: Annex 1

⁴ General government gross debt by Member States, measured in % of GDP. See: Eurostat (22.04.2026), 'Government finance statistics', https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_finance_statistics (accessed 30 April 2026)

⁵ The Council adopted a decision on February 12th, 2024, mandating CSDs holding more than €1 million in CBR assets to account for them separately and prohibit the use of profits generated by these assets. See: Council of the EU, European Council (12.02.2024), 'Immobilised Russian assets: Council decides to set aside extraordinary revenues', <https://www.consilium.europa.eu/en/press/press-releases/2024/02/12/immobilised-russian-assets-council-decides-to-set-aside-extraordinary-revenues/> (accessed 26 May 2025)

⁶ €6,9 bn in 2024 alone. See: Euroclear (05.02.2025), 'Euroclear continues to deliver strong results in 2024', <https://www.euroclear.com/newsandinsights/en/press/2025/mr-05-euroclear-delivers-strong-results-in-2024.html> (accessed 04 November 2025)

The bulk of the immobilised CBR assets, worth approximately €194 bn, held at the Belgian CSD Euroclear was reinvested in bonds and has matured. These profits - which normally would have been transferred to the CBR - have accumulated in Euroclear's accounts. By the EU's adapted legal interpretation, the original contractual obligations to the CBR have either expired or been invalidated by the EU's sanctions regime. Thus, the ERs themselves are no longer seen as property of Russia but accrue to Euroclear itself⁷. Through the Ukraine Loan Coordination Mechanism, €3,6 bn of the ERs⁸ - channelled via the European Peace Facility and the Ukraine Facility - have already been allocated to support UA's structured financial needs and to service existing loans⁹.

Though the underlying assets remain immobilised, the growing gap between Ukraine's urgent financing needs and limited returns generated by this arrangement, as well as the limited support provided by bi- and multilateral contributions have put pressure on EU decision-makers to address UA's financing needs in a more sustainable way. To resolve this issue, the European Commission (EC), upon the request of EU MSs¹⁰ has been drafting various legislative proposals, most fundamentally, a CBR-assets backed Reparations Loan¹¹ (RL) and a Macro Financial Framework (MFF) headroom-backed Limited Recourse Loan (LRL), which entailed an amendment to the 2021/27 MFF Regulation¹².

Whilst MSs, in the ultimate European Council (EUCO) decision in December 2025 on the €90 bn loan to UA, opted for the latter, numerous MSs from central (-eastern) and northern Europe, the Baltics, as well as the EC have fostered the expectation to leverage the CBR assets for a loan proposal. Establishing what led the LRL to be 'preferred' over the LR, hence why the CBR assets haven't been leveraged, hasn't been sufficiently explored in existing scholarship. Research on the future funding for UA, published until the December EUCO decision, mainly assessed the following aspects: feasibility and the

⁷ Moiseienko. A. (04.04.2025), 'Frozen Russian State Assets: The Key to Enforcing the Largest Financial Debt of Our Times', *Verfassungsblog*, <https://verfassungsblog.de/frozen-russian-state-assets/> (accessed 04 December 2025)

⁸ Council of the EU (04.11.2025), 'EU solidarity with Ukraine', <https://www.consilium.europa.eu/en/policies/eu-solidarity-ukraine/> (accessed 12 November 2025)

⁹ For further details, *see*: Regulation (EU) 2024/2773

¹⁰ According to the European Council conclusions of October 23rd, 2025, '*the European Council invites the Commission to present, as soon as possible, options for financial support based on an assessment of Ukraine's financing needs (...)*'. *See*: European Council (23.10.2025), 'European Council meeting (23 October 2025) – Ukraine conclusions', <https://www.consilium.europa.eu/media/zs3a30wp/20251023-text-ukraine-en.pdf>

¹¹ European Commission (03.12.2025), 'Proposal for a Regulation of the EP and the Council establishing the Reparations Loan to Ukraine and amending Regulation (EU) 2024/792 of the EP and of the Council of 29 February 2024 establishing the Ukraine Facility', https://commission.europa.eu/document/download/ceae8dde-0291-4ee3-8519-80b30317bf35_en

¹² European Commission (03.12.2025), 'Proposal for a Council Regulation amending Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027', https://commission.europa.eu/document/download/3532c9e0-2ab7-43ad-ba05-0820623400fe_en

need of the immobilised Russian sovereign assets' confiscation; alternative pathways for the EU to repurpose the CBR assets and use the ERs to continue funding and/or rebuilding UA, i.e. via the creation of a separate legal entity that centralises the holding of all CBR assets; legal aspects of the RL and alternatives to guarantee the assets-backed RL, such as the European Investment Bank or EU bonds. Though limited, some literature explores the intricacies of the use of the 'Crisis Article' 122 Treaty on the Functioning of the EU (TFEU) in light of the indefinite immobilisation of the CBR assets on the 12th of December (which was a prerequisite for the assets-backed RL); as well as the use of Article (Art.) 20 Treaty on EU (TEU), hereafter referred to as 'enhanced cooperation', to enable the political agreement on the MFF headroom-backed LRL.

While the repurposing of the assets has remained an option, at least until it was clear that Hungary would give up its veto against the amendment of the MFF Regulation (a prerequisite to enable the LRL¹³), the subject has remained topical and politically highly sensitive. Reporting from various news outlets, such as from the Financial Times, Politico, Euractiv and Euronews has shed some light into the black-box dynamics behind the preparations and negotiations leading up to the December 2025 EUCO decision.

Yet, gaining insight into the diverging stakeholder interests of MSs and other involved institutional/private actors and workarounds of the decision-making leading to the €90 bn loan agreement, which pertains to the realm of EU CFSP, a traditionally intergovernmental sphere, to understand why the CBR assets haven't been ultimately leveraged, represents a significant gap in the literature related to EU integration and Ukraine. This seems highly relevant to better comprehend the constraints of unanimous decision-making within the Council of the EU (the Council) and EUCO, but more importantly, the emergence of 'Coalitions of the Willing'¹⁴ in times of crisis.

Whilst focusing on the timeline of September until December 2025, this thesis addresses these gaps by conceptualising the following incremental causal mechanisms¹⁵ that led to the final EUCO decision: preference divergence; politico-technical bargaining; and legal-institutional resolution. Based on a critical-realist and deterministic ontology, this thesis operationalises multi-method outcome-explaining process-tracing to challenge basic

¹³ Liboreiro. J. (31.03.2026), 'Kallas Insists Russian Assets Are an Option if Orbán Doesn't Lift Veto on Ukraine Loan', Euronews, <https://www.euronews.com/my-europe/2026/03/31/kallas-insists-russian-assets-are-an-option-if-orban-doesnt-lift-veto-on-ukraine-loan> (accessed 19 April 2026)

¹⁴ In this instance related to the 24 Member States, from now onwards referred to 'EU24', who agreed in December 2025 to be included in the enhanced cooperation scheme of the €90 bn LRL.

¹⁵ 'Incremental causal mechanisms' will be defined as '*mechanisms that link causal impacts that only become significant after they have manifested over a longer time period*'.

epistemological assumptions of Liberal Intergovernmentalism¹⁶ (LI) and the 'Consensus Expectations Gap' (CEG), an alteration of Hill's renowned 'Capabilities Expectations Gap'¹⁷.

Referring to the initial citation from Monnet, the title of this thesis builds on the EU's credo '*United in diversity*' and elaborates on the difficult pathway that led to a 'coalition of the willing' approach by using enhanced cooperation amongst the EU24 to address the EU's Ukraine funding crisis¹⁸. To that end, this thesis uses empirical data drawn from semi-structured elite interviews, as well as academic, legislative and media-related sources to answer the following research question: '*Which mechanisms led EU Member States to reject the initial Russian Central Bank assets-backed Loan, in favour of an MFF headroom-backed Loan?*'

Subsequently, the next section, after setting the scene, reviews previous research, divided into sections pertaining to the CBR asset's confiscation; alternative avenues for the EU to continue supporting UA; the assets-backed RL and alternatives to guarantee it; as well as the use of Art. 122 TFEU and enhanced cooperation in the context of the December 2025 EUCO decision. Then, the resulting research gap will be identified, which motivates this study. Section 3 presents the theoretical framework, detailing LI and the CEG, followed by the operationalisation that facilitates the subsequent empirical analysis. Section 4 elaborates on the methodology and empirical material, limitations of the research, and ethical considerations. Section 5 constitutes the empirical analysis. First, it traces the decision-making via established mechanisms. Then the concept of the CEG will be applied to give an overarching, complementary understanding of the turning points¹⁹ that led to the outcome. The conclusion synthesises the findings and outlines avenues for future research.

¹⁶ Moravcsik. A., Schimmelfenning. F. (2019), 'Liberal Intergovernmentalism' in 'European Integration Theory' (3rd edition) by Wiener et al., Oxford University Press

¹⁷ Hill. C. (1993), 'The Capabilities-Expectations Gap, or Conceptualizing Europe's International Role', *Journal of Common Market Studies*, 31(3), pp 305-328

¹⁸ The term 'EU Ukraine funding crisis' is defined as the following: '*the Union's intergovernmental deadlock and resolution process on sustaining Ukraine's financial and military support, centered on contestation over repurposing €210 bn in immobilised Russian Central Bank assets, and culminating in a €90 bn MFF headroom-backed loan agreed by 24 Member states via enhanced cooperation*'.

¹⁹ Given this thesis' theoretical underpinnings of LI as framework, it has been a deliberate choice to avoid historic institutionalist concepts, such as 'critical junctures'

2. Background

To explain the EU's response to its Ukraine funding crisis by the end of 2025, this section will first set the scene by presenting important terminology and involved stakeholders, as well as the most relevant legislative proposals, namely the RL and the LRL. In the following, previous research on the different pathways the EU could use to continue supporting Ukraine will be elaborated on. This section reviews four interrelated strands of literature relevant to this endeavour: the confiscation of CBR assets; (alternative) pathways for the EU to continue supporting UA; the CBR assets-backed RL and ways to guarantee it; as well as the use of Art. 122 TFEU and enhanced cooperation. Combined, this corpus demonstrates various avenues of action and reflection, whilst taking stock of the hurdles that were present until the EUCO decision.

Whilst previous scholarship mainly elaborates on the legal-institutional hurdles, it leaves open questions about how aforementioned elements relate to each other in the causal chain of events that led to the final outcome, as well as objections from important stakeholders that weren't publicly disclosed, other than from Belgium (BE) and Hungary (HU), which ultimately led the EUCO not to opt for an option that would have leveraged the CBR assets.

2.1 Setting the scene

Terminology

As this topic is a rather technical one, precise terminology matters. The terms related to the future handling of the CBR assets, on the one hand, for the punitive act vis-à-vis Russia - 'immobilisation', 'seizure' and 'confiscation' - as well as on the other hand, the constructive act towards Ukraine - 'repurposing' and 'transferring' - are often used interchangeably. Hence, it is essential to clarify their distinct meanings. The choice of words frames the legal status and control over the assets differently. As this work considers both punitive action vis-à-vis Russia and financial aid for Ukraine, this distinction will become apparent.

Table 1: **Terminology related to the assets and their extraordinary revenues**

Term	Definition
(CBR) Assets	Resources with economic value, including cash, investments, property and financial instruments, such as government bonds (incl. those held by central banks and CSDs) ²⁰ .
Immobilisation/ freezing of assets	The owner, the CBR, maintains ownership of the assets, but cannot use or dispose of them, such as by selling. Typically adopted, such as by the EU, as a restrictive measure/sanction.
Seizure of assets	The authorities take physical possession of the assets. This does not necessarily mean a change of ownership.
Confiscation of assets	Russia - by extension, its Central Bank - would lose ownership rights of the assets, which would be transferred to another legal entity.
Repurposing of assets	Reinvestment of the assets, for instance, to generate (higher) interest. In the case of the CBR assets, this might be accomplished by centralising them within one newly created legal entity.
Extraordinary Revenues (ERs)	Large, unexpected gains resulting, for instance, from turning points leading to price spikes and supply shortages ²¹ .
Transfer of ERs	Redirecting the profits generated by the immobilised assets to Ukraine.

Source: author's own visualisation (Christian M. Bissinger)

Key public and private stakeholders

Generally, the interplay between logics from both the EC (supranational) and the EUCO/Council (intergovernmental) conditions the EU's (in-) action. While the former, guided by the community method, strives for a holistic solution, the latter's position is conditioned by MSs, which themselves exhibit diverging positions. In the context of this thesis, this is due to various factors, such as their national legal frameworks concerning property rights and sovereign immunity, their exposure to Russia, and varying moral-

²⁰ Veber. M. T. (27.11.2025), 'EU sanctions and Russia's frozen assets', European Parliament/External Policies Analysis and Support Unit/Directorate-General for External Policies of the Union, [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2025\)754487](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2025)754487) (accessed 29 April 2026)

²¹ Council of the EU/European Council (12.02.2024), 'Immobilised Russian assets: Council decides to set aside extraordinary revenues', <https://www.consilium.europa.eu/en/press/press-releases/2024/02/12/immobilised-russian-assets-council-decides-to-set-aside-extraordinary-revenues/> (accessed 26 May 2025)

geopolitical outlooks²². The following section²³ provides a short overview of key public and private actors involved in the decision-making and negotiation process of the EC's legislative proposals:

The European Commission, as - according to Art. 17 of the TEU - via its right of initiative, acts as the prime architect of the legal framework of the aid for UA. It is responsible for the sanctions' implementation. The European Council takes political decisions involving the heads of state and government. This directly permeates the Council of the EU. Within its Foreign Affairs Council configuration, it can ultimately decide on sanction proposals via unanimity²⁴, such as the prolongation of the immobilisation of the CBR assets. COREPER II²⁵ plays a vital part in meetings at the MS Ambassador level, while the Working Party of Financial Counsellors (FICO), composed of MS representatives, often from respective Ministries of Finance is a crucial intermediary component, working on technical details and preparing discussions within the Economic and Financial Affairs Council. EU MSs' bilateral Embassies to Belgium also play a vital role in dialoguing with their host country's government, especially about how to best address their concerns about repurposing the assets. Indispensable for the CBR assets' repurposing, Euroclear is a critical piece of financial market infrastructure. The wider shareholder base is dominated by public and quasi-public long-term investors. With the EU sanctions regime in place, Euroclear is legally required to manage and keep the ERs from being transferred to the CBR. It must adhere to the EU's sanctions Regulations adopted by the Council. As the guardian of the Euro's stability and the EU's financial system, the European Central Bank (ECB) intertwines the Eurozone's financial plumbing with EU Member States' CSDs.

Ultimately, it is important to note very low levels of accessibility via reporting, let alone academic literature on the (bargaining) positions, including (political) 'red lines' expressed in COREPER II; technical details in FICO; as well as EU MS bilateral Embassies to Belgium and their consultations with the Belgian government. Furthermore, assessing what roles different EC Directorates General (DGs) played in consulting with BE and

²² Export-oriented economies are more cautious about radical measures that could destabilise the attractiveness of the EU for inbound Foreign Direct Investment and international financial norms. At the same time, states bordering Russia prioritise a stronger, more punitive stance. See: Fiott, D. (2023), 'The Geopolitics of EU Sanctions: Strategic Narratives and Contestation', *European Foreign Affairs Review*, 28(1): pp 25-44

²³ This overview is, amongst others informed by the following source. See: Howarth, D., and Quaglia, L., 'Banking Union and the ECB as a 'Resolution-Maker': The Implications for the European Union's Constitutional Settlement', *Journal of Common Market Studies*, 51(5) (2013), pp 870-887

²⁴ For clarification: the Foreign Affairs Council adopts future sanctions, including those against Russia, on the basis of Article 29 TEU, which requires unanimity among Member States for all CFSP decisions. Once this unanimous political decision is taken, the measures are implemented through a Council Regulation under Article 215 TFEU, adopted by qualified majority.

²⁵ Referring to the French abbreviation of the term 'Committee of Permanent Representatives' (to the EU).

drafting/adapting legislative proposals linked to the RL/LRL hasn't been straightforward. To address these gaps, elite interviews with EU MS (senior) diplomats, counsellors and EU civil servants form the backbone of the analysis²⁶.

Key legislative proposals

First, the CBR assets-backed Reparations Loan (RL) was envisioned as an MFA instrument for Ukraine. Whilst its initial form, introduced by EC President von der Leyen in September 2025 only covered €140 bn²⁷, the ultimate proposal presented by the EC beginning of December 2025 included aid amounting to €210 bn (of which €45 bn was earmarked for the repayment of the G7 Extraordinary Revenue Acceleration (ERA) loan) and would have been financed by the cash balances of the assets at financial institutions (CSDs and commercial Banks) that accumulated within the Union. However, the mechanism would stay the same: the banking institutions would directly transfer the cash balances it holds to the EC, which in return would issue the loan to Ukraine. UA would only need to repay the loan if it received reparations from Russia. According to von der Leyen, *'this is the most effective way to sustain Ukraine's defence and its economy'*²⁸. In the final form proposed on the 3rd of December, the RL would thus entail borrowing from the financial institutions. Borrowing from financial markets would only be envisioned if necessary to ensure the repayment (Article 23(8)), in case Russia would not pay reparations to Ukraine and successfully reclaimed its Central Bank's assets. If these amounts were too large for the MSs to be covered, the EC envisioned a liquidity mechanism which would allow them to ask the EU for a loan to cover that. Respectively, the EU would go to the financial markets to the extent that MSs would ask for. The guarantee from borrowing of the financial markets would be provided by MS guarantees and then, once the 2028-2034 MFF Regulation and new Own Resources Decision were adopted, by the headroom under the EU budget (Article 4(5)).

Second, the MFF-headroom-backed Limited Recourse Loan (LRL) requires the EU to issue bonds on financial markets to finance it. The MFF headroom would need to back the full amount of the loan. For loans from the EU to MSs, financed via borrowing, the MFF Regulation already allows for a direct guarantee from the headroom (MFF Regulation

²⁶ For further details, see: Section 4

²⁷ Von der Leyen. U. (10.09.2025), 'State of the European Union Speech 2025', Speech, European Commission, https://ec.europa.eu/commission/presscorner/detail/ov/SPEECH_25_2053 (accessed 02 October 2025)

²⁸ Von der Leyen. U. (13.11.2025), 'European Parliament plenary debate on the conclusions of the European Council meeting of 23 October 2025', European Parliament, https://www.europarl.europa.eu/doceo/document/CRE-10-2025-11-13-ITM-003_EN.html

Article 2(3)). For third countries, usually loans are covered by amounts set aside in the Common Provisioning Fund (CPF). In particular, for MFA loans, the usual provisioning rate is 9%. For UA, given the risks caused by the war, 9% provisioning would not have been sufficient. At the onset of the war in 2022, the EC revised its risk models and increased the provisioning rate to 70% for the Exceptional MFAs I and II²⁹. Applying a 70% provisioning rate to the LRL would imply setting aside €63 bn in the CPF, requiring high contributions from MSs. Two options were considered: either EU MSs signed bilateral guarantee agreements, which would cover a part proportional to their Gross National Income³⁰ (GNI) but then would statistically count as their national debt, or the guarantee would be provided by the EU Budget. The implementation of the latter would however, need to pass via the MFF headroom. For this to be allowed, an amendment of the MFF Regulation was necessary, which required unanimity among MSs and consent of the EU Parliament (EP). As three Member States (Hungary, Slovakia (SK) and the Czech Republic (CZ)) preferred not to be part of this support, ultimately the new loan was adopted in enhanced cooperation, thus providing an important precedent for the construction of the loan. Both the interest subsidy and the guarantee - in case necessary - would be covered only by the other 24 MSs. This brings two budgetary implications: the borrowing costs for the interest subsidy to UA will need to be paid by MSs in their annual contributions to the EU budget, and the contingent liability of the loan in the form of EU funds will need to be reimbursed via the EU Budget if Russia doesn't pay back the loan in reparations to UA.

2.2 Literature review

Before delving into the intricacies of the different strands of literature, it is important to note that this thesis primarily draws on publications that were published up to the EUCO decision by the end of 2025. This choice reflects the topic's ongoing political sensitivity, which limits the availability of prior research, as well as practical considerations, such as interview preparation and the author's intent to base inferences on the elite interview data and official sources from key stakeholders (EC, EU MSs, EUCO). For further details,

²⁹ Spielberger. L. (07.10.2024), 'Financial Power Europe: The Challenges of EU Financial Assistance to Ukraine', Brussels School of Governance / Centre for Security, Diplomacy and Strategy, <https://csds.vub.be/publication/financial-power-europe-the-challenges-of-eu-financial-assistance-to-ukraine/> (accessed 29 April 2026)

³⁰ In some EU Member States, this would require national parliaments to approve. See: European Commission (07.09.2022), 'Proposal for a Decision of the European Parliament and of the Council Providing Exceptional Macro-Financial Assistance to Ukraine, (...)', Proposal 2022/0281, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52022PC0557> (accessed 29 April 2026)

please refer to Section 4. This literature review is mainly based on empirical research. Theory-related strands of literature are nested under Section 3.

2.2.1 Confiscation of CBR assets

A first strand of literature examines how the confiscation of the CBR assets, including their respective transfer to UA, could have been motivated and operationalised. While Russia's threat perception amongst EU MSs diverges, it is important to note that UA's invasion, within Nordic and Baltic states, is considered most salient within the EU³¹. Coinciding with these countries' traditionally frugal stance and their weariness for further fiscal integration, the political momentum for the asset's confiscation was amongst the highest. The assets' confiscation, within EUCO and its preparatory bodies, remained off the table due to objections from BE, the host of the main portion of the CBR assets within the EU, Germany, France and other MSs. This was, amongst others, informed by the ECB's risk-adverse warnings about potential implications for Foreign Direct Investment (FDI) in the EU and litigation risks. This review dedicates some space to it, as it was amongst the options, which, in the absence of successful Russian litigation claims, wouldn't further burden EU taxpayers. If this option were to be seriously considered, the argument from backers of confiscation was mainly motivated by a moral imperative. In other words, using and transferring the assets to UA to '*make the aggressor pay*'.

By November 2022, the United Nations General Assembly passed a resolution calling on Russia to pay full reparations to UA for the damage caused by its war of aggression³². But would the asset's confiscation be the best way forward to that end? Based on the International Law Commission's 'Articles on the Responsibility of States for Internationally Wrongful Acts', the 2023 Renew Democracy Initiative report has argued that the CBR assets' confiscation would be permissible under the 'doctrine of countermeasure'. Under this doctrine, any activity that would normally infringe international law would be allowed, if aimed at inducing another state (in this case, Russia)'s compliance with international law³³. As noted by Vlasyuk, another legal basis for confiscation lies in the 'doctrine of collective self-defence', which would enable states that are not directly attacked, in response to an unlawful aggression, to support those

³¹ Eurobarometer. (05.2025). Standard Eurobarometer 103 – Spring 2025, p. 32, <https://europa.eu/eurobarometer/surveys/detail/3372> (accessed 17 January 2026); Eurobarometer. (October 2025). Standard Eurobarometer 104 – Autumn 2025, p. 35, <https://europa.eu/eurobarometer/surveys/detail/3378> (accessed 23 January 2026)

³² United Nations General Assembly (15.11.2022), 'Resolution adopted by the General Assembly on 14 November 2022', https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/a_res_es_11_5.pdf

³³ Renew Democracy Initiative Report (17.09.2023), 'The legal, practical and moral case for transferring Russian sovereign assets to Ukraine', pp 119-123

that are³⁴. However, with the established legal norm of the need for countermeasures to *'be temporary, reversible and designed to encourage compliance'*, the assets' direct confiscation is highly contested. This is reflected by the G7 Member States' stance to keep the CBR assets immobilised until Russia has paid reparations to UA.

Some legal scholars and the EP's Research Service have explored justifications to override certain legal barriers, such as the *'principle of state sovereign immunity'*, for instance, by framing the CBR asset's seizure as a lawful countermeasure in response to Russia's breach of international law³⁵ or the *'principle of sovereign equality'*, by, for example, considering that Russia's claims have been forfeited due to the country's grave violation of international law post-February 2022. Given the erga omnes nature of any aggression's prohibition, it can be argued that the EU may take countermeasures against Russia to incentivise the war's cessation and secure reparations in Ukraine's interest³⁶ (which would exclude the asset's transfer).

As Moiseienko noted in April 2025, *'one of the Kremlin's habitual narratives is that Western nations are contemplating a "theft" of its reserves'*³⁷. Following this stream of thought, indifferent of how Ukraine's allies' intent to leverage the CBR assets, it will always be portrayed as unlawful by Moscow and be followed by Russian litigation (which happened as the CBR sued Euroclear just ahead of the December 2025 EUCO Summit³⁸). In that sense, Moiseienko stated that *'the considerations that are likely to weigh most heavily on governments' minds are economic and political, not legal'*³⁹. Given the ultimate EUCO decision not to leverage the CBR assets (different to confiscation) for the €90 bn loan in any way, his projections proved true but remain insufficient. Section 2.2.2 will elaborate on why.

In January 2025, Zelikow assessed that the future support for Ukraine could not depend on large new appropriations from (allied) taxpayers. The legal scholar and senior fellow at Stanford University's Hoover Institution stated that *'it is legally, politically and morally*

³⁴ Vlasyuk. A. (02.2024), 'Legal report on Confiscation of Russian State Assets for The Reconstruction of Ukraine', Kyiv School of Economics, https://kse.ua/wp-content/uploads/2024/02/CBR-Assets-Legal-Report_February-2024.pdf

³⁵ European Parliament Research Service (02.2024), 'Legal options for confiscation of Russian State assets to support the reconstruction of Ukraine', Study, pp 5, 6, 8

³⁶ Rosas. A. (01.06.2023), 'From Freezing to Confiscating Russian Assets?', European Law Review 48, no. 3, pp 337-47, <https://search.informit.org/doi/10.3316/agispt.20231014097016>

³⁷ Moiseienko. A. (04.04.2025), 'Frozen Russian State Assets: The Key to Enforcing the Largest Financial Debt of Our Times', Verfassungsblog, p. 3, <https://verfassungsblog.de/frozen-russian-state-assets/> (accessed 02 October 2025)

³⁸ Seddon. M. et al. (18.12.2025), 'Putin's Retaliation Threat Over Frozen Assets Rattles EU Capitals', Financial Times, <https://www.ft.com/content/616d7c24-fbb6-4830-aa6c-77d362b5fddb?syn-25a6b1a6=1> (accessed 27 January 2025)

³⁹ Moiseienko. Anton (2025), p. 4

*best that (Russia pays)*⁴⁰. Economically, the main arguments revolve around the potential impact on confidence in European capital markets, the precedent of the confiscation of sovereign assets could set, such as divestment from Europe, higher interest rates and lower credibility of the Euro. Furthermore, the fear of Russian countermeasures against European outbound FDI also plays a role. Nonetheless, as Olofsgård writes, the primary shock to EU financial markets already occurred after the CBR assets were first immobilised in February 2022⁴¹. To back this up, Okhrimenko's September 2025 quantitative study on the implications of the assets' first immobilisation and transfer of respective ERs to Ukraine⁴² used sovereign bond yields as a real-time barometer of perceived legal, financial and retaliation risks. The analysis concluded that news about the CBR assets' immobilisation only triggered a short-term shock, which nearly disappeared within two weeks, whereas news about the transfer of a small portion of the ERs was '*broadly comparable to routine policy or news on credit risk downgrades*'⁴³. Though not equal to the seizure of the CBR assets, these findings could hint towards a modest magnitude of market disruption and that its effects fade quickly.

2.2.2 Pathways for the EU to continue supporting Ukraine

The previously mentioned literature provides a rich plethora of legal-financial arguments, which could justify a potential confiscation of the CBR assets. However, given the numerous objections from the host country BE, but also Germany (DE), France (FR) and other EU MSs, as well as the ECB, the cash balances associated to the assets become the main attention of the following strand of literature.

The focus lies on the creation of a distinct, purpose-made legal entity which could centralise the management of the CBR assets and enable their transfer to UA. One prominent example is Zelikow's proposal to create an International Trust Fund which could '*hold and manage (the CBR assets from) national authorities*'⁴⁴ within the G7 and beyond. The author elaborates that third countries could speak with one voice within the fund's board of trustees, which would '*decide when and how to manage and disburse*

⁴⁰ Zelikow. P. (09.01.2025), 'A Fresh Look at the Russian Assets: A Proposal for International Resolution of Sanctioned Accounts', Hoover Institution, p. 10, <https://www.hoover.org/research/fresh-look-russian-assets-proposal-international-resolution-sanctioned-accounts> (accessed 29 September 2025)

⁴¹ Olofsgård. A. (18.06.2025), 'The Case for Seizing Russian State Assets', Stockholm Institute for Transition Economics (SITE) / Free Network, <https://freepolicybriefs.org/2025/06/18/seizing-russian-state-assets/> (accessed 29 April 2026)

⁴² Okhrimenko. I (26.09.2025)., 'From Seizure to Spreads: How news about Russian assets confiscation moves European sovereign yields', Centre for Economic Strategy, <https://ces.org.ua/en/from-seizure-to-spreads/> (accessed 18 November 2025)

⁴³ Okhrimenko. I. (2025): p. 4

⁴⁴ Zelikow. P. (2025): pp 8-10

*funds for the limited purpose authorised by the (...) agreement that creates and binds the trust fund*⁴⁵. The creation of such a fund would also be an act of states, not of courts. As Zelikow emphasises, the 'doctrine of sovereign immunity' would not apply to acts of state, since '*sovereigns are not 'immune' from the acts of other sovereigns*'⁴⁶.

Following this stream of thought, only transposed to the level of the EU, other legal entities could serve the same purpose to generate considerably higher returns of, for instance, \$30-40 bn annually, such as a new EU Agency for Ukrainian Reconstruction and Accession⁴⁷. One prominent example is the creation of a 'Bad Bank', first conceptualised by M. Sandbu in a Financial Times article published in early September 2025⁴⁸. The author maps out different steps towards a centralised management of all CBR assets from participating EU MSs, as well as their reinvestment. The process would start with the ECB instructing Euroclear and CSDs from other MSs to separate assets from their corresponding liabilities. Then, the assets would be transferred into newly created national 'bad banks', isolating the Eurozone's financial system from CBR assets-related risks. Next, involved MSs would acquire and merge these national vehicles into a single consolidated Bad Bank, incorporated in an EU jurisdiction with legislation enabling the transfer of ERs to UA (for example, Estonia). Finally, this consolidated Bad Bank would reinvest the assets in higher-yield assets - backed by Eurobond issuance - to maximise ERs for Ukraine. The money generated would be due when Russia pays reparations to UA, effectively transferring the value of the assets as an advance for future reparations to the latter.

Even if this model, through the continuous generation of profits for UA, seems compelling, the part about the guarantees, intended to be provided by the ECB raises questions. In the words of Christine Lagarde, President of the ECB, '*Moving from freezing (...) to confiscating the assets, disposing of them, is something that needs to be looked at very carefully*'⁴⁹. Put differently, the ECB's risk-adverse position would have rendered such a scheme difficult to implement. This is illustrated by the ECB's decision to decline the extension of emergency liquidity (the EU's cover for the second line of financing for single

⁴⁵ Ibid.: p. 10

⁴⁶ Ibid.

⁴⁷ Ash, T. (01.05.2023), 'Ukraine – Reconstruction, Reparations and the Outlook', Kyiv Post, <https://www.kyivpost.com/post/16462> (accessed 10 November 2025)

⁴⁸ Sandbu, M. (04.09.2025), 'A 'bad bank' can solve Europe's Russian assets conundrum', The Financial Times, <https://gftarticle.ft.com/giftarticle/actions/redeem/e193391a-dab2-4765-832e-fa2bb5a153f1> (accessed 05 September 2025)

⁴⁹ Smith, G. (18.04.2024), 'ECB's Lagarde digs in as US pushes Europe on using Russian assets for Ukraine aid', Politico, <https://www.politico.eu/article/ecbs-lagarde-digs-in-as-us-pushes-europe-on-using-russian-assets-for-ukraine-aid/> (accessed 26 May 2025).

MS guarantees, in case they cannot cover them) in the form of a so-called 'backstop' to the CBR assets-backed Reparations Loan proposal⁵⁰.

When read collectively, this corpus of literature illustrates the rich nature of ideas from leading law and finance scholars to address the political impossibility of de facto confiscation. It exposes a significant disjuncture between the creative mechanisms which aim to centralise the management of the assets-related cash balances and the objections from important EU MSs, the ECB, and, the host of Euroclear, Belgium. While presented mechanisms recognise the urgency to mobilise funds for UA and foreground out-of-the-box thinking, they devote comparatively limited attention to the potential hurdles for future implementation, specifically by MS capitals. This leads to a transition to the literature that assessed the EC's legislative proposal of the assets-backed RL and alternative avenues to guarantee it.

2.2.3 The assets-backed RL and alternative ways to guarantee it

A third strand of literature brings the analysis closer to the EC's prime legislative proposal: the CBR assets-backed Reparations Loan. Already in February 2025, Dixon and Buchheit, modelled a loan structure rooted in legal-financial arguments that sought to move beyond the stagnation of the confiscation debate. They highlight that, despite the legal sensitivities surrounding the ownership of sovereign reserves, the CBR assets - which technically represent a debt owed by the asset holders to Russia - could constitute '*a set off against a debt owed by Russia to the (holders)*'⁵¹, the reparations claim assigned by Ukraine.

Building onto the G7's 2024 \$50 bn ERA Loan, which already tapped the ERs of the CBR assets to sustain Ukraine, the authors propose a mechanism where holders of CBR assets lend an amount equivalent to the immobilised reserves to UA. In return, Kyiv '*pledges its claim against Moscow for war reparations as collateral security for that loan*'⁵², making the collateral the only source of repayment. Consequently, while this RL allows UA to keep the debt off its balance sheet and avoid credit downgrades, it effectively transfers the recovery risk to the lenders. In the likely event of a Russian default on reparations,

⁵⁰ The ECB referred to Art. 123 TFEU and cited concerns over treaty compliance and the protection of its institutional independence. See: Storbeck, O. et al. (02.12.2025), 'ECB refuses to provide backstop for €140bn Ukraine loan', The Financial Times, <https://gftarticle.ft.com/giftarticle/actions/redeem/182daa3e-b7c6-4237-9572-a3ab30f65480> (accessed 07 December 2025)

⁵¹ Dixon, Hugo, Buchheit, Lee C. (24.02.2025), 'The Ukraine Reparation Loan Solution', American Enterprise Institute, p. 7, <https://www.aei.org/research-products/report/the-ukraine-reparation-loan-solution/> (accessed 02 May 2026)

⁵² Dixon and Buchheit (2025): p. 2

the lenders would 'inherit' the claim, enabling them to set off the debt against the immobilised CBR assets.

Therefore, the analysis of 'risk-sharing' is essential to understanding the political viability of this scheme. Since BE holds approximately two-thirds of the immobilised CBR assets within EU and non-EU jurisdictions⁵³, a lending model based on the asset's geographical location would expose Brussels to a disproportionate volume of Russian litigation, particularly via the 1989 Belgium-Luxembourg-USSR bilateral investment treaty. To mitigate this, Dixon and Buchheit propose a '*syndicated loan structure*'⁵⁴ to distribute recovery risks among all participants. This insight raises critical questions for the European framework, as the authors fall short of elaborating on how a collective EU-backed guarantee would function without exposing MSs holding the most assets to Russian retaliatory measures.

Building on the objections by the ECB mentioned in the previous strand of literature, guaranteeing the RL becomes a prime objective to enable any type of UA support scheme. The Financial Times article by Paduano, published shortly before the EUCO decision in December 2025, elaborates on an alternative guarantee-scheme: amending the European Investment Bank (EIB)'s income policy and guarantee architecture to align them with other multilateral development banks⁵⁵. In an earlier publication⁵⁶, Paduano elaborated on why the EIB has an incentive to extend its financing in the form of lending and guarantees, which, as of September 2025 and according to the calculations of the author, would have amounted to €190 bn. While the EIB could guarantee the RL, Paduano also names other types of support it could provide, such as '*financing non-defence priorities that the (RL) doesn't touch*'⁵⁷. The author hints towards an internal hurdle to that end, namely that the bank's section that conducts EU external financing would need its own financing to be guaranteed. Ultimately, Paduano advocates for an '*everything-all-at-once solution*', which would involve bilateral guarantees, as well as ones from the EU and the EIB, backed up by the European Stability Mechanism.

⁵³ For details, see: Annex 2

⁵⁴ Dixon and Buchheit (2025): p. 4

⁵⁵ Paduano. S. (12.12.2025), 'How to guarantee Ukraine's 'reparations loan'', The Financial Times, <https://giftarticle.ft.com/giftarticle/actions/redeem/aa73444f-0abb-4951-abff-f45c1d9864b1> (accessed 14 December 2025)

⁵⁶ Paduano. S. (09.2025), 'Finance Europe: A Balance Sheet Analysis of the European Investment Bank', Finance for Development Lab, p. 21-23, https://findevlab.org/wp-content/uploads/2025/09/FDL_Policy-Note-28_Financing-Europe_Policy-Note-28_Sept25.pdf

⁵⁷ Paduano (12.12.2025): p. 5

Taken together, these works converge on the argument that risk-sharing in the form of collective guarantees for the RL is fundamental to enable its operationalisation. Yet, most of them remain at the level of financial modelling or institutional architecture. Few examine in detail how (effectively) these complex asset-linked schemes could withstand the immediate political pressure for a 'cleaner' legal solution that avoids the long-term risks of Russian litigation. The friction between these sophisticated collateral models and the cautious legal stance of the ECB and certain MSs suggests that a shift toward broader budgetary tools was becoming inevitable.

This tension highlights a gap in the literature regarding the specific legal vehicles used to bypass these technical hurdles, a gap that necessitates an examination of the institutional 'short-cuts' available within the EU treaties. The transition from these asset-backed schemes to the eventually adopted LRL suggests that the technical solutions proposed by Dixon, Buchheit, and Paduano were ultimately deemed 'too high-risk' within EUCO. To make sense of this shift, it is necessary to understand the legal-institutional mechanisms that allowed the Union to act despite the unanimity-linked internal gridlock.

2.2.4 The use of Article 122 TFEU and enhanced cooperation

Notwithstanding the choice of support scheme, one element of strategic importance to the EU has been the continued immobilisation of the CBR assets, which requires biannually unanimous decision-making amongst all MSs. Considering the Hungarian veto, the Council, by using Article 122 TFEU on the 12th of December, decided to indefinitely immobilise the assets. This allowed the EU to prevent the assets from being repatriated by the CBR but also made the assets-backed RL a tangible option for the following EUCO summit. As Kreilinger argues, the recourse to Article 122 TFEU served as a '*bold legal workaround*'⁵⁸ to move to qualified majority voting (QMV) by shifting the legal basis for the assets' immobilisation from the CFSP framework to an emergency economic measure. As noted by Wetter Ryde, Article 122 is a 'crisis article' that enables special procedures outside the ordinary legislative process, often at the cost of democratic transparency⁵⁹. This insight raises critical questions for the EU's institutional balance, as the use of Article 122 to bypass CFSP unanimity faced sharp criticism from BE and Italy (IT) and other

⁵⁸ Kreilinger, V. (12.2025), 'Article 122 TFEU: The legal workaround to freeze Russian assets and four possible repercussions', <https://sieps.se/publikationer/2025/article-122-tfeu-the-legal-workaround-to-freeze-russian-assets-and-possible-repercussions/>

⁵⁹ Wetter Ryde, A. (03.2023), 'Oklart rättsläge kring EU:s krishantering - när kan artikel 122 användas?', Swedish Institute for European Policy Studies (SIEPS), p. 2, <https://sieps.se/publikationer/2023/oklart-rattslage-kring-eus-krishantering-nar-kan-artikel-122-anvandas/>

MSs, who warned that such a maneuver could constitute a dangerous precedent for circumventing treaty-mandated vetoes⁶⁰.

This literature thus complements the analysis of the subsequent December 2025 EUCO decision, which shifted toward enhanced cooperation under Article 20 TEU⁶¹ to resolve a similar gridlock. While earlier strategies portrayed the RL as a whole-of-the-Union initiative, the resistance from HU, SK and CZ necessitated a 'coalition of the willing' approach to enable the MFF-backed LRL. As explained by Bissinger et al., anchored in the EU budget via enhanced cooperation, the resulting €90 bn 'EU24 loan' allowed the majority to proceed without requiring the participation or guarantees of the dissenting troika⁶². Yet, most of these studies remain at the legal-institutional level. While the EU24 loan is legally distinct from the immobilised assets, the Union maintains its right to utilise the ERs from those assets to service the loan's interest, effectively bridging the technical asset-backed models with the constraints of the EU budget.

The synthesis of this literature highlights how the debate over aid for UA, intended for war- and potential peacetime - serves as a litmus test for the EU's crisis-response architecture. The move toward an EU24 MFF-headroom-backed loan reflects a shift from complex asset-collateralisation toward a more pragmatic, though differentiated, budgetary solution. Analysing this transition is crucial to understanding how the EU reconfigures its financial-security instruments to bypass vetoes, making the study of the mechanisms behind this intergovernmental shift relevant to research on European integration and EU economic statecraft.

2.3 Research Gap

In the field of CFSP and international political economy, the immobilisation of approximately €210 bn in CBR assets represents a critical case of crisis-driven inter-institutional and intergovernmental cooperation. While existing scholarship has extensively mapped the financial-legal and normative ('make the aggressor pay') justifications for reparations, there is a significant empirical void regarding the interlinked

⁶⁰ Kreiling. V. (2025): p. 5

⁶¹ According to Art. 20 TEU, Enhanced cooperation '*shall aim to further the objectives of the Union, protect its interests and reinforce its integration process*'. It should only be used '*as a last resort, when it has (been) established (by the Council) that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole, and provided that at least nine (MSs) participate in it*'

⁶² Bissinger. C. M. et al. (02.2026), EU Foreign Policy via Enhanced Cooperation: Questions and answers on the EU24 loan to Ukraine', SIEPS, <https://sieps.se/en/publications/2026/eu-foreign-policy-via-enhanced-cooperation> (accessed 10 February 2026)

dynamics that led to the specific policy shift in late 2025. Specifically, the research has yet to account for causal mechanisms through which these macro-expectations to leverage the assets were assembled, contested, and eventually redirected. Put differently: what mechanisms led EU MSs to pivot from a supposedly technically feasible CBR asset-backed Reparations Loan to a MFF-headroom-backed 'EU24' Limited Recourse Loan?

First, within the domain of national preference formation, current research identifies broad divisions between 'Drivers' and 'Brakemen' of a CBR-assets loan but offers only partial accounts of the preference divergence mechanisms and underlying material determinants that shaped national positions. No study of the previous corpus has systematically analysed how individual state preferences - rooted in potentially higher sovereign borrowing costs, public debt, inbound/outbound FDI exposure to Russia, stakeholder concentration within Euroclear, etc - materialised in the EUCO and its preparatory bodies' bargaining processes. Existing work thus lacks a granular understanding of how issue-specific domestic preference formation⁶³ that preceded EU-level interaction prevented a unified willingness to repurpose the assets directly. This leaves a gap in our understanding of why the political demand for action by some MSs outpaced the Union's internal ability to agree. This thesis addresses this gap by investigating how individual rational choices - driven mostly by financial-legal and economic risk-aversion rather than purely ideational factors - created diverging expectations.

Second, the literature remains divided between macro-level proposals to leverage the CBR assets and micro-level legal assessments of elements asserting motives for risk-aversion. What is missing is a relational analysis that traces how the politico-technical intergovernmental bargaining affected the EC's legislative proposals towards the final EUCO decision. Despite recognition of the legal-institutional constraints of unanimity, the presented literature only draws limited links to the concrete bargaining positions and strategies simultaneously employed by 'Drivers' and 'Brakemen' of an assets-backed solution. Specifically, the field lacks an empirical account that connects elements that motivated the diverging positions, the EC's attempt to remedy and then the alternative procedures of decision-making that enabled to 'overcome' the gridlock.

⁶³ Moravcsik, A., Schimmelfenning, F. (2019), 'Liberal Intergovernmentalism' in 'European Integration Theory' edited by Wiener, Antje et al., 3rd edition, Oxford University Press, p. 66

Finally, although LI exists as a dominant framework, its core assumptions have not been empirically applied to map publicly available stakeholder sources outlining bargaining positions and negotiations, as well as the technical preparatory work for the final EUCO decision, including positions behind 'closed doors'. Linking both publicly available and unavailable sources via elite interviews is paramount to understand the rationales behind the legal-institutional workarounds within the defined temporal frame of the first mentioning of a RL and the ultimate decision on the €90 bn MFF-headroom backed loan (see Section 3.2 for further details).

Addressing these gaps, this thesis investigates the causal mechanisms that led EU MSs to reject the initial CBR assets-backed in favour of an MFF-headroom-backed EU24 Loan. By applying Process Tracing (PT) and theoretical integration of LI and the CEG to elite interviews and a dataset of EC legislative proposals and MS positions, the thesis links the limitations of EU CFSP-making to the grounded politico-technical negotiations that led to the December 2025 EUCO decision. In doing so, it contributes empirically and theoretically to comprehending how the EU leverages its instruments of economic statecraft in times of crisis.

2.4 Research Question

This thesis aims to investigate the incremental causal mechanisms that conditioned the ultimate shift from an assets-backed to an MFF-headroom backed loan to Ukraine. With the previously presented strands of literature in mind, it is particularly interesting to see how the limits of institutional decision-making, objections by the key 'Brakemen', and attempts to remedy them condition EUCO decision-making.

This motivates the following research question: *'Which mechanisms led EU Member States to reject the initial Russian Central Bank assets-backed Loan, in favour of an MFF-headroom-backed Loan?'*

3. Theory

Considering the traditionally intergovernmental nature of CFSP-making, Liberal Intergovernmentalism (LI) seems the most appropriate theory of European Integration to be applied. As outlined by Moravcsik and Schimmelfenning, the two following core assumptions make this framework theory the most suited for this thesis⁶⁴: first, that states remain critical actors in a context of international anarchy, which makes negotiation and bargaining between governments crucial to resolve disagreement; second, that states act purposely and '*calculate the utility of alternative courses of action*'. When it comes to how a collective outcome is obtained, one core assumption is that rational state choices are interdependent and strategic at times.

Within a large corpus of theoretical literature on European integration, Schimmelfenning defines a crisis as the following: '*a decision-making situation with a manifest threat and a perceived significant probability of disintegration*'⁶⁵. As previously illustrated, a wide body of literature elaborates on how academia theorised funding mechanisms that could leverage the assets to support Ukraine. Given the financial-legal objections and decision-making constraints, assessing the use of Article 122 TFEU and enhanced cooperation is key. Following this stream of thought, understanding the macro-conditions that led to the choice of an MFF-headroom-backed loan in a broader EU inter-institutional and temporal frame appears suitable as a lens of analysis. To this end, using Portela et al.'s theory of 'Policy Coherence'⁶⁶ to examine different types of coherence at the vertical (between the EC and the Council), the horizontal (relating to conflicts between different policy areas), and the multilateral (between the EU and other international actors) level would be one way to approach the analysis. This would however, go beyond the scope of this thesis.

While only a limited number of scholars focus on short-term integration outcomes, such as Gocaj and Meunier⁶⁷ and some, within the context of the EU responses to the war in

⁶⁴ Moravcsik and Schimmelfenning (2019): p. 65

⁶⁵ Schimmelfennig, F. (2017), 'Theorising Crisis in European Integration', in: Dinan, Desmond, Neill Nugent, and William E. Paterson (eds.), *The European Union in Crisis*, Basingstoke: Palgrave Macmillan, p. 316

⁶⁶ Portela et al. defined coherence as '*coordinated behaviour based on agreements among the Union and its Member States, where comparable and compatible methods are used in pursuit of a single objective and result in uncontradictory policy*'. See: Portela, C. (2021), 'Conceptualising coherence in EU External Action' in Gstöhl, Sieglinde and Schunz, Simon (eds.) (2021), *The External Action of the European Union. Concepts. Approaches. Theories*, Bloomsbury Academic, p. 88

⁶⁷ Gocaj, L., and Meunier, S. (2013), 'Time Will Tell: The EFSF, the ESM, and the Euro Crisis', *Journal of European Integration*, 35(3), pp 239–253. <https://doi.org/10.1080/07036337.2013.774778>

Ukraine, on specific policy actors, such as the EC⁶⁸, combining both attributes of analysis in the context of the EU's Ukraine funding crisis is needed. That is why this thesis will further limit the number of actors and the timeframe.

3.1 Theory framework in use

To establish a framework that combines publicly available and closed-door insights to explain the December 2025 EUCO decision, this thesis will include a variation of Hill's concept of the Capability Expectations Gap⁶⁹. Combining the framework theory of LI with a sub-variant, the Consensus Expectations Gap (CEG) offers a novel approach to analyse the mismatch between expectations towards the EU to leverage the CBR assets to support UA and its institutional/political capacity to agree on a suitable scheme to that end.

3.1.1 Liberal Intergovernmentalism as framework theory

In their 2019 update to LI, Moravcsik and Schimmelfenning recall the following tripartite pillars of LI as a framework theory: (I) definition of state preferences; (II) Bargaining to substantive agreements and (III) the creation/adjustment of institutions to commit and secure those outcomes in the face of future political uncertainty⁷⁰.

As to (I), the authors underline that state preferences are 'issue-specific', meaning that they vary between policy fields. With a specific focus on CFSP, Moravcsik's empirical analysis within his 1998 work 'The Choice for Europe' concludes that *'sometimes, geopolitical concerns played an important role'*⁷¹. This assumption will be taken as starting point to further investigate how LI relates to CFSP-making in the context of the EU's Ukraine funding crisis.

As to (II), Moravcsik and Schimmelfenning underline LI's deployment of bargaining theory of international cooperation. More specifically, the need for states to *'overcome collectively suboptimal outcomes and achieve coordination or cooperation for mutual benefit'*⁷². The authors continue that to *'explain cases (of failed) deepening of institutionalised cooperation, (LI looks to) incompatible national interests, due either to*

⁶⁸ Håkansson, C. (2024), 'The Ukraine war and the emergence of the European commission as a geopolitical actor', *Journal of European Integration*, 46(1), pp 25–45. doi: [10.1080/07036337.2023.2239998](https://doi.org/10.1080/07036337.2023.2239998)

⁶⁹ The Capabilities Expectations Gap refers to the imbalance between what the EU is expected to deliver in foreign policy and its actual capabilities, such as resources, instruments, and the ability to agree. *See*: Hill. C. (1993): p. 306

⁷⁰ Moravcsik and Schimmelfenning (2019): p. 65

⁷¹ Moravcsik. A. (1998), 'The Choice for Europe: Social Purpose and State Power from Messina to Maastricht' (1st ed.). Routledge, p. 3, <https://doi.org/10.4324/9781315072258>

⁷² Moravcsik and Schimmelfenning (2019): p. 67

*divergence over fundamental goals or to disagreement over distribution*⁷³. Transposed to an EU context, this converges in the factor of 'asymmetrical interdependence'⁷⁴. On the distribution, this materialises, for instance, in the form of threats to veto legislative proposals. As Naurin noted in his analysis of 25 years of Council (including both EUCO and the Council) research via LI⁷⁵, a prominent criticism from rational institutionalists relates to the possible agenda-setting power of the EC and the mediator role of the Council Presidency and the General Secretariat⁷⁶. As the EC played a role as an ideational entrepreneur, not only via the publication of its different legislative proposals related to the loans, but also via its dialogue with BE to address their objections, this will be subject to the subsequent analysis.

As to (III), Moravcsik and Schimmelfenning note that while '*states establish rules for the distribution of gains according to the pre-existing bargain (for the agreements' implementation, enforcement and extension)*', '*deeper pooling or delegation – for example (QMV) is rarer*⁷⁷. When addressing theoretical criticism, the authors maintain LI's scepticism about the autonomous causal role of EU institutions. Moravcsik conceded in 1999 that third party entrepreneurship is more significant where coordination issues at member state level prevent governments from managing complexity on their own⁷⁸. Given that the continuation of support for UA is a salient objective amongst many MSs and the fact that CBR assets are distributed amongst them (though unevenly), these theoretical findings will inform the analysis of how the EC, as an ideational entrepreneur, enabled and 'Drivers' bargained in favour of the CBR-assets backed loan.

Finally, there remains one aspect crucial to encompass the main streams of criticism towards LI, specifically salient in the EU's Ukraine funding crisis context: the unequal power distribution amongst MSs. Tallberg notes that while 'larger' MSs do not exert uniform influence across all policy areas, 'smaller' ones may at times '*punch above their weight*⁷⁹. This relative criticism towards basic LI assumptions is relevant, for example, given the divergences between DE, as a 'larger' and BE as a 'smaller' MS.

⁷³ Ibid.

⁷⁴ Defined as '*the uneven distribution of the benefits of a specific agreement*' (compared to the benefits of unilateral or alternative possibilities). See: Moravcsik and Schimmelfenning (2019): p. 67

⁷⁵ Naurin, D. (2018), 'Liberal Intergovernmentalism in the Councils of the EU: A Baseline Theory?' The Journal of Common Market Studies, Vol. 56(7), pp 1526–1543. <https://doi.org/10.1111/jcms.1278>

⁷⁶ Ibid.: p. 1532

⁷⁷ Moravcsik and Schimmelfenning (2019): p. 69

⁷⁸ Moravcsik, A. (1999), 'A New Statecraft? Supranational Entrepreneurs and International Cooperation'. International Organization, Vol. 53(2), pp 282–285, <http://www.jstor.org/stable/2601390>

⁷⁹ Tallberg, J. (2008), 'Bargaining power in the European Council', Journal of Common Market Studies (JCMS), Vol. 46(3), p. 693

3.1.2 The Consensus Expectations Gap

Making the entire theoretical framework of this thesis solely depend on the positivist assumptions of LI would neglect an important explanatory mechanism that led to the December 2025 EUCO decision: expectations that were amplified by the German Chancellor to leverage the CBR assets for UA (for instance, not to put any potential burden on EU taxpayers) and the actual capacity to deliver on those. As the final decision showcases, these expectations might, if Russia doesn't pay UA reparations, not be met.

Whilst analysing the EU's role in foreign policy, Hill, in 1993, first conceptualised the 'Capabilities Expectations Gap', noting the following three main interlinked components: (I) the ability to agree; (II) the mobilisation of resources; and (III) the instruments at disposal⁸⁰. In this context, 'capabilities' are to be understood as '*conventional instruments of foreign policy (as well as underlying domestic resources)*'⁸¹, while 'expectations' are '*ambitions or demands of the EU's international behaviour which derive from both inside and outside the Union*'⁸². In his 2025 revision, Hill wrote that '*the only area where instruments have been developed is in the increasing use of economic power*'⁸³, such as sanctions. Given the limited space of this thesis, the emphasis will lie on (internal) expectations amongst EU MSs. A relevant insight for the analysis pertains to how to close the gap. The author noted that this could be achieved by either lowering expectations or increasing capabilities.

As Riddervold and Rieker state in 2024, '*with its broad response to the war in Ukraine, (the EU has shown its ability to fulfil the Capability Expectation Gap's components I to III)*'⁸⁴. Examples are the agreement on 20 sanctions packages against Russia (as of May 2026) and the provision of military support via the European Peace Facility (EPF), financed by MS contributions outside of the EU budget, as well as the MFA to Ukraine. Ultimately, the authors conclude with the assumption that '*the (Union's) response to the war on Ukraine illustrates that it has reached a stage (,) when faced with a crisis that is*

⁸⁰ Hill. C. (1993), 'The Capability-Expectations Gap or Conceptualising Europe's International Role', *Journal of Common Market Studies* (JCMS), Vol. 31(3), pp 305-328

⁸¹ Hill. C. (1998), 'Closing the Capability-Expectations Gap?', Paper for the fifth Biennial International Conference of the European Community Studies Association of the United States, 29 May – 1 June 1997, Seattle, Washington DC (US), p. 8

⁸² Ibid.

⁸³ Hill. C. (01.2025), 'The Capability-Expectations Gap in a Time of War', *Studia Europejskie – Studies in European Affairs*, Vol. 1/2025, p. 34, DOI: [10.33067/SE.1.2025.2](https://doi.org/10.33067/SE.1.2025.2)

⁸⁴ Riddervold. M. and Rieker. P. (2024); 'Finally coming of age? EU foreign and security policy after Ukraine', *European Security*, 33(3), p. 499, DOI: [10.1080/09662839.2024.2376616](https://doi.org/10.1080/09662839.2024.2376616)

*perceived existential, (it) is able to take quick decisions, draw on various instruments and agree on an increase in (financial) resources*⁸⁵.

Hill alluded that *'(t)he Capabilities Expectations Gap was intended to provide a yardstick against which to measure change over time*⁸⁶. With its historic-institutionalist underpinnings, Hill's base concept is suitable to track changes over longer time periods. This can be illustrated by his 2025 article, which takes a 30-year analysis frame. Yet, this thesis's focus on the short period of approximately 3 months at the end of 2025, makes the Capabilities Expectations Gap in that regard unsuitable.

Riddervolt and Rieker's assessment of the EU's response to the war in Ukraine dates to July 2024. At this point in time, the CBR assets were already immobilised, and the ERs were used to service loans for UA. In that sense, one assumption might be that the elements I to III of the Capabilities Expectations Gap were, to different degrees, fulfilled, the Union thus capable of acting. The corpus, especially Sections 2.2.2 until 2.2.4 hint towards a similar assumption: resources could be mobilised (to guarantee the CBR assets-backed RL, but not only) and instruments were (to some extent) at disposal or thought through. Yet it was the common political will that was lacking.

That is where Toje's subvariant of the Capabilities Expectations Gap, the 'Consensus Expectations Gap' (CEG) comes in. Whilst keeping the same definition of *'expectations'* as Hill, Toje conceptualised *'consensus (decision-making)'* as a type of governance, which *'not only seeks the agreement of most participants, but also tries to moderate the objections of the minority (to) reach the decision that is satisfactory to all involved parties*⁸⁷. Toje's conceptual altercation posits that it is less about *'what tools are most likely to meet a specific objective, and more by what tools can be agreed upon*⁸⁸.

Following this reasoning, a gap between consensus and expectations persists precisely because MSs lack the political will to activate existing capabilities (for instance, QMV, common debt)⁸⁹. Toje suggests that a 'grand bargain' between major MSs (for example, DE and FR) could overcome this gap, but this requires leadership and compromise. The CEG will enable synthesising the Capabilities Expectations Gap's most relevant conceptual underpinnings for this thesis: what expectations were nourished to achieve a 'grand

⁸⁵ Riddervold. M. and Rieker. P. (2024): p. 504

⁸⁶ Hill. C. (01.2025), p. 24

⁸⁷ Toje. A. (2008), 'The Consensus-Expectations Gap: Explaining Europe's Ineffective Foreign Policy', Security Dialogue, 39(1), p. 128, <http://www.jstor.org/stable/26299666>

⁸⁸ Ibid.: p. 132

⁸⁹ Ibid.: p. 134

bargain' (that the RL could be backed up by the CBR assets), which, due to a lack of political will amongst and asymmetrical interdependence between certain MSs, were not, or only partially met.

3.2 Operationalisation

The operationalisation involves translating a theoretical framework (LI) and concepts (the CEG) into empirically observable components, namely the causal mechanisms that led from von der Leyen's idea for a CBR assets-backed Reparations Loan to the MFF-headroom-backed Limited Recourse Loan. This section will provide the foundation for the subsequent empirical analysis in Section 5. Given that LI frames policy outcomes as a result of rational state interactions within institutional constraints and the CAP incorporates post-positivist elements, operationalising both requires identifying observable indicators: national material interests, bargaining power, and gaps between political ambitions and institutional tools.

To achieve this, the thesis identifies three primary causal mechanisms:

- **The Preference Divergence Mechanism (PDM):** Examining the domestic interests and material exposure of EU Member States;
- **The Politico-Technical Bargaining Mechanism (PTBM):** Analysing what role intergovernmental bargaining and asymmetrical interdependence played within EUCO/the Council;
- **The Legal-Institutional Resolution Mechanism (LIRM):** Observing how specific treaty-based workarounds enabled MSs to overcome preference divergences

In more detail, the sub-concepts will be operationalised in the following way (see next page):

Table 2: **Operationalisation of key concepts of LI and the CEG**

Concept	Empirical indicators	Causal relevance	Sources for analysis
National Preference Formation (LI Pillar I)	Evidence of domestic material/fiscal interests: levels of inbound/outbound FDI in Russia; exposure of national stakeholders to litigation/retaliation/court measures; impact of the choice of loan on national debt	Explains Preference-Divergence Mechanism: material/fiscal risks vs. moral-geopolitical urgency	Elite interviews; FDI statistics, official state positions, media reporting
Intergovernmental Bargaining and Asymmetrical Interdependence (LI Pillar II)	Distribution of costs/benefits: BE's 'veto power' and the leverage of 'Drivers' vs. 'Brakemen'; Evidence of concessions: Negotiated safeguards for CSDs; amendments to MFF ceilings; risk-sharing (MS guarantees; willingness to cancel their Bilateral Investment Treaty with the USSR;...)	Evidence of I) the Politico-Technical Bargaining Mechanism: technical (risk-mitigation) rather than classic financial concessions; and II) of how asymmetrical risk conditions BE's positioning and the EC's legislative proposals	Elite interviews; EC legislative proposals; documents/reporting on bi-/multilateral negotiations/talks, MS/EC documents
Institutional Choice (LI Pillar III)	The selection of specific legal bases to bypass the unanimity requirement	Illustrates Legal-Institutional Resolution Mechanism: Art. 122 TFEU, Art. 20 TEU towards final political agreement	Elite interviews; final EUCO conclusions; legal assessments of the choice of instruments
Consensus-Expectations Gap (Toje)	The shift from 'optimal' financial tools to 'agreeable' ones: Discrepancy between political rhetoric (for instance, 'making the aggressor pay'; 'no additional burden to EU taxpayers') and the institutional reality (for instance, difficulty to guarantee the loan scheme)	Identifies the moment the Consensus Expectations Gap was closed by defaulting to a 'safer', pre-existing financial model (MFF guarantees)	Elite interviews; publicly available MS/EC documents; EUCO conclusions; media reporting/articles

Source: author's own visualisation (Christian M. Bissinger)

4. Methodology and data

The methodology of this thesis is multi-method outcome-explaining process tracing, combining insights from practitioners from MSs and the EU with publicly available information from media and involved stakeholders. This inside-out perspective will allow to transpose the theoretical underpinnings of LI, as well as the conceptual claims of the CEG, to the case of the EU's Ukraine funding crisis. Methodologically, this thesis will trace the chain of events from the first mentioning of the RL by von der Leyen in September 2025 until the agreement to use enhanced cooperation within the EUCO decision in December 2025.

Aiming at the minimally sufficient explanation for the ultimate outcome, this thesis has the objective to account for the most important deterministic aspects in the latter's explanation: to '*trace the complex conglomerate of systematic and case-specific causal mechanisms*' via a '*dialectic combination of deduction and induction*'⁹⁰.

The methodology of this thesis, whilst theory-driven, especially about the importance of MSs in the ultimate decision and informed by literature published preceding the decision in December 2025, focuses on the empirics, namely the outcomes of the elite interviews and publicly available information, such as media reporting, articles, press statements and letters for triangulation.

Using a mechanistic approach to causal forces, the analysis will account for contextual factors and activities translating causal forces that are both systematic (for example, the obstacle of unanimity-based decision-making within EUCO) and non-systematic and case-specific (for instance, statistics about the distribution of CBR assets and EU MS corporate tax in Russia). This thesis will ground its methodological considerations in 'incremental causal mechanisms'.

As Smith asserted in 2004, EU foreign policy is pre-dominantly determined by elites at MS-level in the Ministries of Foreign Affairs, which deliberate through EUCO (and its preparatory bodies)⁹¹. Given the 'black-box' conundrum of limited accessibility to information of more fine-grained bargaining positions and negotiation strategies from involved stakeholders within EUCO, the Council and its preparatory bodies, as well as relevant EC Directorate Generals (DGs), this study adopts a qualitative, inductive-

⁹⁰ Beach. D., Brun Pedersen. R. (2012), 'Process-Tracing Methods', The University of Michigan Press, p. 19

⁹¹ Smith. K. (2004), 'The Making of EU Foreign Policy', Cambridge University Press (UK), p. 12

deductive research design, which combines the empirical analysis of elite interviews and publicly available data.

4.1 Case study design

This thesis will employ a case-centric variant of PT, which allows to account for the outcome of this specific case, whilst requiring less pre-knowledge about similar instances of, for example, the use of Art. 20 TEU. This thesis's aim is to create a mechanistic understanding of the causal parts, which are connected by several nodes between the impetus and outcome⁹².

Within case-centric PT, Beach and Brun Pedersen define mechanisms as the following: a *'conglomerate of systematic and non-systematic parts that together account for a particular outcome'*⁹³. This thesis will consider the following definitions for the mechanisms' constituting elements from Beach's 2016 work on PT⁹⁴: 'mechanisms' are defined as *'theoretical systems linking causes and outcomes'*. 'Causal parts' are understood as *'entities engaging in activities transmitting causal forces from cause to outcome'*, whilst 'entities' are defined as *'factors (actors, organisations or structures) engaging in activities'* and 'activities' as *'producers of change or what transmits causal forces through a mechanism'*.

Given the rather technical nature of the topic of analysis, this thesis aims to keep the theorised mechanisms as simple as possible. The philosophical problem-solving principle of 'Occam's Razor' suggests that, if faced with competing explanations for an outcome, the one with the fewest assumptions should be preferred.

Though this thesis is primarily grounded in a mechanistic understanding of events, meaning that *'each part of the theoretical mechanism can be thought as a toothed wheel that transmits the dynamic causal energy of the causal mechanism to the next toothed wheel, ultimately contributing to producing outcome'*⁹⁵, the topic of analysis will show that the transmission of effects between constituent mechanisms is sometimes disproportionate and/or non-linear.

⁹² Beach, D. (2016), 'It's all about mechanisms – what process-tracing case studies should be tracing', *New Political Economy*, Vol. 21(5), p. 465, DOI: [10.1080/13563467.2015.1134466](https://doi.org/10.1080/13563467.2015.1134466)

⁹³ Beach and Brun Pedersen (2012): pp 23-24

⁹⁴ Ibid.

⁹⁵ Ibid.: p. 29

To conceptualise the frame of analysis, the EUCO decision of the 18th of December 2025 on the €90 bn EU24 Ukraine Loan represents the outcome. Von der Leyen's State of the Union (SotEU) speech on the 10th of September, where the EC President first floated the idea of the RL, represents the impetus. The entities that were considered important for the analysis are EUCO and the Council, including the preparatory bodies of COREPER II and FICO, as part of MS Permanent Representations to the EU (PermReps); EU MS bilateral Embassies to Belgium; as well as the EC and relevant DGs.

4.2 Data/Empirical material

As previously mentioned, policymaking within and around EUCO remains largely a 'black box'. This both motivates the conduct of elite interviews but also limits their empirical findings. Given the intergovernmental nature of CFSP-making, the choice of outreach mainly focused on the following circles of involved stakeholders: MS PermReps, namely COREPER II and its preparatory bodies, including the Antici Counsellors and FICO; EU MS bilateral Embassies to Belgium (given their vital importance for MS capitals to be informed about BE's positioning and objections to the asset's repurposing), as well as EC DGs, which were vital in consulting with BE and drafting/adapting legislative proposals linked to the RL/LRL. The following interviewees will be the subject of the analysis: EC Official from DG Budget (EC Official); Senior Counsellor from the Swedish PermRep (Swedish Senior Counsellor); Senior Diplomat from the French PermRep (French Senior Diplomat); Diplomat from the Estonian PermRep (Estonian Diplomat); Diplomat from the Swedish bilateral Embassy to Belgium (Swedish Diplomat); and Senior Diplomat from the German bilateral Embassy to Belgium (German Senior Diplomat).

This study approached the interviews in the following iterative way: First, in the preparatory phase, methodological considerations were decided. Such include the decision to conduct semi-structured interviews; the identification of persons of interest; the redaction of an overarching questionnaire⁹⁶, adaptable to the potential interviewee in question; and, given the sensitive nature of elite interviews, a generic research confidentiality and ethics agreement between interviewer and interviewee⁹⁷.

⁹⁶ For the sake of clarity, only those clusters of questions were kept, that were used during the interviews. These excluded question clusters addressed to the Danish Council Presidency, 'Brakemen' PermReps and Bilateral Embassies to Belgium (for instance from Italy and the Czech Republic), as well as Journalists from the Financial Times, Euractiv and Politico, whose reporting are part of the publicly available empirical sources used in the analysis. See: Annex 3

⁹⁷ See: Annex 4

Even though interviews via videocall were proposed to all persons of interest, all interviews were conducted in-person in Brussels. Given the political sensitivity of the subject of analysis, this was deemed the most suitable mode of interviewing. The semi-structured format was chosen as the best way to combine closed- with open-ended questions, providing the interviewees with enough space to develop their own lines of thought and argumentation. To structure the interviews, the following guidance from Slote Morris was applied: always moving '*from non-threatening to threatening questions*'⁹⁸.

As for the contact with the interviewees, they were sent the research confidentiality and ethics agreement by the first contact. While the tailored questionnaire for each interviewee contained prompts for potential follow-ups for the interviewer, to maximise the potential insights from the interviews, they only received the version without prompts. This was sent out one working day prior to the conduct of the interview to give the interviewees enough time for preparation, without running the risk of all answers being pre-curated. To conduct the interview, the interviewer took inspiration from the following forms of formulations, tailored by Gaskell⁹⁹: inviting descriptions; eliciting further and contextual information; projection; testing assumptions; questions from specific to general elements and vice versa; taking a naive position; final thoughts.

After conducting, transcribing and categorising the interviews, each interviewee, as agreed via the signing of the confidentiality and ethics agreement, received the rephrased contents most relevant for the research and was given time to provide their final consent. Given the sensitive nature of the interviews, this step was considered paramount before including the findings in the redaction of the analysis. With the relative degree of anonymisation of the interviewees and the exclusion of direct citation, this thesis employs a multi-source approach. This will not only suit triangulation purposes but also allow to see what expectations were nurtured by different types of stakeholders to leverage the CBR assets towards the final EUCO decision.

To that end, publicly available sources, including the EUCO conclusions, letters, and press releases, the EC's legislative proposals, as well as media reporting and articles, will be used to give a more holistic picture of how the causal parts interrelate. Built on the conceptualised causal mechanisms, the most prominent themes that were present in the

⁹⁸ Slote Morris. Z. (10.2009), 'The Truth about Interviewing Elites', Sage Journals, Vol. 29(3), p. 213, <https://doi.org/10.1111/j.1467-9256.2009.01357.x>

⁹⁹ Gaskell, G. (2000), 'Individual and group interviewing', in Martin W. Bauer and George Gaskell (eds.), *Qualitative researching with text, image and sound* (London: Sage), pp 51-52

interviews, as well as the publicly available sources, the coding is structured through interconnected levels: level 1 includes mainly mechanism-based categories; level 2 constitutes core themes nested under the mechanisms; level 3 are sub-themes. Level 1, mainly based on Section 3.2, establishes the following categories: Preference Divergence Mechanism (PDM); Politico-Legal Bargaining Mechanism (PLBM); Legal-Institutional Resolution Mechanism (LIRM); and the Consensus Expectations Gap (CEG). The constituent elements, namely the core and the sub-themes, allow for more in-depth analysis, which will become most apparent during instances of triangulation.

For the detailed mechanistic categorisation scheme as well as an overview of the publicly available sources that will inform/be subjects of the analysis and subsequent triangulation (detailing the document type; institution/outlet, and author; the title and publication date, including a link to each document; a one-sentence summary and the coding scheme), please refer to Annexes 5 and 6. This multi-source approach allows to closely link LI theory, the CEG concept and PT methodology, whilst maintaining both source confidentiality and a critical stance vis-à-vis the claims made during the interviews.

4.3 Limitations

The most challenging and time-consuming part is linked to the conduct of the elite interviews. With a relatively high need for preparatory work, the researcher reached out to diplomats/counsellors most involved within COREPER II and FICO from the PermReps from Belgium, Germany, France, Poland, Sweden, Denmark, Italy, the Czech Republic and Estonia, as well as the Heads and/or Deputy Heads of Mission of Bilateral Embassies to Belgium of the same MS (excluding BE); to Heads and/or Deputy Heads of Units from the most involved EC DGs, namely DG Budget, DG Economic and Financial Affairs, DG Enlargement and Eastern Neighbourhood, and DG Financial Stability, Financial Services and Capital Markets Union; as well as the Brussels-based journalists most involved on the subject from the Financial Times and Politico. The main reasons that were given for negative answers were domestic pressure on public officials (especially for the 'Brakemen'), a 'policy of non-engagement' (mainly from the EC's side) and conflicting schedules.

The in-person interviews were conducted between the 8th and 15th of April 2026 in Brussels. Even though a political consensus could be reached in December 2025, for the decided MFF-headroom backed LRL to materialise, unanimity to amend the 2021/27 MFF Regulation was required, which was, during the time of the interviewing, blocked by HU.

With Orbán's contender Magyar winning the elections just after the interviews were conducted, maybe some persons of interest, such as from 'Brakemen' MSs, would have been more inclined to participate. This, however, remains speculative.

In retrospect, it would have been rewarding for even better explanatory power to conduct interviews with the EC DG Economic and Financial Affairs (the EC's internal lead on the file), the Council Secretariat, the Danish Council Presidency (which presided during the timeframe of analysis), 'Brakemen' MSs, especially those most vocal in citing objections to the repurposing of the assets (such as BE), to the weight of Sovereign Debt costs (such as IT) and those excluded from the final EUCO decision (HU, SK, CZ), as well as potential journalists. However, given the remaining political sensitivity of the subject during and beyond the period of interviewing, the selection of interviewees covers as best as possible various positions within the constraints of this thesis's redaction. As to the choice of literature for the literature review, the constraints remain similar, though for the sake of completeness, the scope is broader and includes subjects which are not/only shortly covered by the analysis, such as the CBR assets' confiscation and the creation of new legal entities which could centralise the assets' management.

The body of publicly available documents, which is part of the analysis, is mainly composed of MS or EC sources, legislative proposals, as well as media-related sources. The period of publication of most of the sources is deliberately chosen to mirror the timeframe between impetus and outcome and to maintain a realistic level of complexity for this thesis¹⁰⁰.

A further limitation arises from the geographical origins of the sources used, which are only EU-internal. The case study by N. Chaban and O. Elgström on the EU as a conflict manager in UA reveals that the EU may be viewed by Ukrainians as '*a friendly, economically powerful ally*'¹⁰¹, but simultaneously as an '*unreliable partner due to internal disunity and conflicting interests*'¹⁰². One way to address this could be to include Ukrainian stakeholders in the analysis. However, given the importance of intergovernmental and EU inter-institutional dynamics for the causal mechanisms that led to the outcome, decentring the analysis via outside perspectives would only further broaden the scope of

¹⁰⁰ One option which was discarded was to include the EP, once it was involved as a co-legislator from January 2026 onwards.

¹⁰¹ Chaban, N. and Elgström, O. (2021). 'Theorizing external perceptions of the EU' in Gstöhl, Sieglinde and Schunz, Simon (eds.) (2021). 'The External Action of the European Union. Concepts. Approaches. Theories'. Bloomsbury Academic: p. 282

¹⁰² Ibid.

the topic without giving any substantial insights about the main stakeholders of this analysis: EU Member States.

Ultimately, LI and the CEG have been chosen as complementary theoretical-conceptual lenses. Whilst the conceptualised causal mechanisms are informed by the underlying LI assumptions, the choice of including the CEG as a level 1 category is not to diffuse the findings. Rather, it is to synthesise them onto one hypothesised main barrier towards the use of the CBR assets: the inability between MSs to create consensus amongst themselves.

As to the methodological limitations of this thesis, the initial aim was, once the use of collected empirical material from the interviews was consented by the interviewees, to increase the power of inference by developing empirical tests. Examples included a hoop test on whether the use of Art. 122 TFEU was necessary for the outcome and a smoking-gun test on whether Belgium's opposition decisively blocked asset repurposing. However, given the confidentiality-bound limitations for the empirics from the interviews to be used, this thesis's analysis will be theory-driven and not include such tests.

In sum, the scope of this thesis is delimited by its empirical reliance on elite interviews with MS and EU stakeholders - constrained by access, political sensitivity, and timing; its temporal focus on the September–December 2025 decision-making window; and its theoretical-conceptual framing through LI and the CEG. These constraints, while present, serve to define rather than diminish the study's analytical purpose: to trace how MS preferences diverge, politico-technical bargaining, and legal-institutional constraints among MSs interrelate and led the EU to pivot from the RL to the LRL.

4.4 Ethical considerations

The ethical considerations within this thesis arise mainly from the elite interviews. This study prioritised ethical rigour to protect participants and ensure research integrity in a politically sensitive context. All interviewees signed a generic research confidentiality and ethics agreement before participation, guaranteeing informed consent and outlining data use. To address the subject's sensitivity, interviewees were anonymised, and rephrased excerpts of their responses were submitted for final approval prior to inclusion in the analysis.

As an external researcher, triangulation across interviews, official documents, and media sources is aimed to ensure analytical integrity and prevent uncritical reproduction of

dominant perspectives, such as from larger MSs. The preference for in-person interviews in Brussels reflected participant comfort and the topic's political sensitivity. Given EUCO's opacity and domestic/institutional pressures on officials, the study balanced ethical obligations with analytical rigour through a multi-source approach, combining anonymised interviews with publicly available sources to preserve confidentiality while maintaining methodological robustness.

5. Resolving the EU's Ukraine funding crisis

This section operationalises the theoretical framework by tracing the causal chain of events from von der Leyen's 10th of September proposal for a RL to the 18th of December EUCO decision for the €90 bn LRL. The analysis follows a case-centric PT approach, structured around the established primary causal mechanisms (PDM, PTBM and LIRM), as well as the CEG, with each section stating the explicit aims at the outset before leveraging the findings from the elite interviews and triangulating with the available public sources and their systemic categorisation (Annex 6). The following analysis adheres to the mechanistic approach mentioned in Section 4. When a specific positioning/activity of an involved entity or a specific source appears for the first time, this signals their established role as causal parts informing the analysis. However, as will be seen in some instances, the demarcation of the causal mechanisms is not always clear-cut, nor is the positioning/activity of certain entities. While the analysis is structured around said mechanisms, their relation to each other is not linear and subject to change.

5.1 The Preference Divergence Mechanism

This sub-section aims to explain how domestic material interests, fiscal constraints, and moral-geopolitical considerations shaped MSs' initial preferences vis-à-vis an assets-backed RL and thereby created the foundational divergences between 'coalition clusters' that necessitated subsequent bargaining (PTBM) and legal-institutional adaptation/resolution (LIRM).

The elite interviews reveal a clear cleavage between 'Drivers' and 'Brakemen' of an assets-backed solution. Furthermore, they uncover a nuanced position which wasn't initially conceptualised: MSs who stayed open to both options up until the final EUCO decision, hereafter named 'Conditional Drivers'. The main preferences were shaped by FDI exposure, sovereign debt concerns, institutional host risks, Bilateral Investment Treaty (BIT) exposure, moral-geopolitical urgency, retaliation fears, as well as European (defence industrial) preference.

Even though the need for the EU to transfer the ERs to UA via the ERA Loan, the second Trump administration's significant reduction in support made it apparent that the EU, including Union and bilateral support, needed to step up its support for UA. First officially mentioned in von der Leyen's SotEU speech on the 10th of September, the baseline

preference and solution of the EU executive was set: the aggressor should pay, not only EU taxpayers, and, whilst excluding confiscation, this should be done on the basis of the cash balances associated with the immobilised CBR assets and the attached risk carried collectively. This established the EC as an 'ideational entrepreneur'. German Chancellor Merz, via the publication of a Financial Times OpEd on the 25th of September, followed up with the impetus, making DE's position as 'Driver' of an assets-backed loan publicly known. More in detail, Merz called for an interest-free loan of €140 bn, which would only be repaid once Russia has paid reparations to UA. Such extensive assistance would require bilateral guarantees for MSs, which would be, once the 2028/34 MFF is in place, substituted by guarantees via the EU budget. By the accounts of the German Senior Diplomat, who was partially involved in consultations with the Belgian government, DE and BE were very much aligned before the publication of the OpEd. In that sense, DE followed BE's stance in opposing confiscation. The Senior Diplomat stated that subsequently, BE was surprised to read of the Chancellor's clear positioning since they weren't consulted beforehand. In that sense, the article represents a turning point which determined DE's future stance.

The French Senior Diplomat confirmed that DE was most supportive of an assets-backed loan, while underlining that FR was equally a driver of support for UA and supportive of the RL, alongside Poland and the Nordic countries, with some nuances. The interview also reveals France's nuanced position. While a 'Driver' in principle, one primary concern was to balance risks. For France, the RL was option A. In the variant where MSs would guarantee the loan via national guarantees, the priority was to ensure MS contingent liability. In other words, that these guarantees wouldn't be calculated as part of national public debt and that financial markets and rating agencies would see it the same way. The Senior Diplomat stated that many MSs with similar concerns requested Eurostat to give assurances that national guarantees wouldn't be calculated as part of national debt before the loan's adoption. In particular, this concerned MSs with a difficult fiscal situation, such as Italy. The priority was to devise a mechanism that would not resemble confiscation and guarantee compliance with International/EU law. On litigation risk, FR aimed to make sure that guarantees would be readily available in case of a litigation verdict in favour of Russia¹⁰³. As for the loan's implementation, the Senior Diplomat underlined the need to balance budgetary with military support, including attached

¹⁰³ For the sake of completeness, it is vital to mention that France shielded €19 bn in Russian assets (see: Annex 2) held by commercial banks and indirectly opposed their inclusion in the RL, as was asked by Belgium in De Wever's letter to von der Leyen on the 27th of November, due to '*contractual obligations*' and '*client confidentiality*'. See: Dubois. L., White. S. (08.12.2025), 'France Shielding €18bn Russian Asset Pot from EU 'Reparations Loan' Push', <https://www.ft.com/content/fe304bb8-d928-4b9b-8162-2000301be937?syn-25a6b1a6=1> (accessed 27 January 2025)

conditionalities, such as rule of law reform for the former and buy European preference for the latter. For Paris, option B was the LRL.

As to the Northern-Baltic countries, the interviews with both interviewees from Sweden and the Estonian Diplomat revealed that their key priority was to address UA's financing needs. While the Estonian Diplomat underlined that confiscation would have been Estonia's option A, the priority was to support UA and make sure Russia doesn't get the assets back, whilst addressing BE's concerns as best as possible. On a similar tone, the Swedish Senior Counsellor stated that for Sweden, the RL was preferred, though the country remained open to other solutions. However, the Counsellor underlined one more important element for Sweden as a traditionally frugal MS: EU joint borrowing to enable a loan for UA would be exceptional, insisting that any type of loan should only be repaid if Russia pays reparations and that until then, the CBR assets remain immobilised. As to other 'Drivers' of an assets-backed loan, the Estonian Diplomat mentioned the Netherlands and Ireland.

Transitioning to the most important 'Brakeman', Belgian primary concerns were outlined by the interview with the EC Official: legal-financial stability risks stemming from its role as host to Euroclear; retaliation fears from Russia and relating to its BIT; and the domestic fiscal impact of providing the cash balances associated with the assets as guarantees to the RL. The Official noted that BE's objections were not merely technical, but existential to its financial sector, given Euroclear's systemic role in EU markets. This aligns with the Swedish Diplomat's observation that the Belgian Prime Minister (PM)'s Office handled the dossier directly in a small group, treating it as a matter of '*vital national interest to BE*' – a rarity in Belgian politics, where '*150 out of 150 MPs and approximately 100% of the population*'¹⁰⁴ supported De Wever's stance¹⁰⁵. The Diplomat further clarified that Belgium framed its main fear, expressed during bilateral meetings, mainly stemming from being solely legally viable. To the argument of the domestic fiscal impact, the Diplomat added, though it is not entirely clear how the Belgian taxes on the ERs of the assets are used to fund UA¹⁰⁶, the Belgian budget is highly constrained. He then related

¹⁰⁴ In a poll dating back to the 15th of December, Belgian 'Le Soir-RTL-Ipsos-Het Laatste Nieuws-VTM' established that 67% of Belgians didn't support a CBR-assets backed loan. See: Decleire, A. (15.12.2025), 'Grand Baromètre: 67% des Belges ne veulent pas qu'on utilise les avoirs russes pour soutenir l'Ukraine', <https://www.lesoir.be/716900/article/2025-12-15/grand-barometre-67-des-belges-ne-veulent-pas-quon-utilise-les-avoirs-russes-pour> (accessed 08 May 2026)

¹⁰⁵ These findings can be corroborated by the following Politico article. See: Sheftalovich, Z. (19.12.2025), 'How Belgium's Bart De Wever Beat the EU Machine', Politico, <https://www.politico.eu/article/european-council-summit-belgium-bart-de-wever-beat-eu-machine-ukraine-funding/> (accessed 01 January 2026)

¹⁰⁶ Media reports from 2024 note that the timing, path, and actual proportion of alleged transfers to UA remain opaque, leading G7 Member States to have become '*frustrated with Belgium's (stance) to withhold (ERs) under its own domestic taxation authorities*'. See: Sorgi, G. (17.04.2024), 'Greedy Belgian taxman should keep hands off Russian assets, West tells Brussels', Politico, <https://www.politico.eu/article/russian-assets-belgian-tax-authorities-ukraine-aid-eu-g7-euroclear/> (accessed 12 November 2025)

to BE's constitution and budget legislation, which impose strong limitations on the federal spending for defence and foreign policy. As to another 'Brakeman', the French Senior Diplomat mentioned Luxembourg as equally having raised objections related to fears about Russian litigation, specifically concerning the BIT¹⁰⁷. Referring to Annex 2, Luxembourg, as of September 2025, held approximately €10 bn of immobilised CBR assets.

As to the other major 'Brakeman', Orbán's Hungary has been at the forefront of threatening to veto the RL, as well as the amendment of the MFF Regulation¹⁰⁸. This is corroborated by the accounts from the Swedish Senior Counsellor that HU voiced concerns over said amendment, which requires unanimous support to be adopted. The Estonian Diplomat interview adds that HU was lesser keen on enabling further military support to UA and felt the European decision to do so could jeopardise US efforts towards a peace agreement. Both the Estonian Diplomat and the French Senior Diplomat established that while HU was most vocal, SK partially and CZ, to a lesser extent, shared these preferences. This will be elaborated on, especially in the context of the final EUCO decision. Furthermore, the French Senior Diplomat stated that the MSs most concerned about Russian countermeasures and remaining outbound FDI were, amongst others, Italy (IT) and Austria. These statements can be backed up by the Kyiv School of Economics data on remaining corporate activity in Russia, amongst which IT's UniCredit and Austria's Raiffeisen bank rank among the top ten companies by profit tax in Russia in 2024¹⁰⁹.

The cited official public sources, such as von der Leyen's SotEU speech and Merz's OpEd, underline that the moral-geopolitical urgency resonated with the 'Drivers', whilst clashing with the 'Brakemen's fiscal-legal constraints and ideological objections. Merz's endorsement of a CBR assets-backed loan solidified DE as a main 'Driver', whilst signalling a shift in DE's initial alignment with BE, establishing the core 'Brakemen' as well as the 'Conditional Drivers', which, whilst staying open about different mechanisms, had, to varying degrees, financial and fiscal concerns. In that sense, on the basis of the presented empirics, the PDM establishes the following (non-exhaustive) 'coalition clusters': 'Drivers': DE, Nordic-Baltic MSs, Poland, the Netherlands and Ireland;

¹⁰⁷ This can be confirmed by the following Verfassungsblog article. See: van Elsuwege, P. (08.12.2025), 'Walking a Tightrope: On the Legal Stakes of the EU's Proposed Reparations Loan for Ukraine', Verfassungsblog, <https://verfassungsblog.de/on-the-legal-stakes-of-the-eus-proposed-reparations-loan-for-ukraine/> (accessed 12 December 2025)

¹⁰⁸ Seddon, M. et al. (18.12.2025)

¹⁰⁹ Kyiv School of Economics (08.2025), 'Corporate Complicity: How global firms bankrolled Russia's War Chest in 2024', p. 8, <https://kse.ua/about-the-school/news/international-companies-have-bankrolled-russia-s-war-budget-with-more-than-60-billion-since-the-start-of-the-full-scale-invasion-new-report-by-b4ukraine-kse-institute-and-squeezing-putin/> (accessed 11 September 2025)

'Conditional Drivers': FR, IT; Austria; 'Brakemen': BE, Luxembourg, HU (and SK, CZ to varying degrees).

While the informal EUCO on the 1st of October initiated discussions amongst MSs about how to mobilise further funds for UA, the EUCO summit on the 23rd of October failed to agree on an assets-backed RL, guaranteed by the MFF headroom due to HU's veto against it¹¹⁰. Importantly, it concluded that *'(EUCO) commits to address (UA's) pressing financial needs for 2026-2027, including for its military and defence efforts (and) invites the (EC) to present (...) options for financial support based on an assessment of (UA)'s financing needs'*¹¹¹.

To synthesise, von der Leyen's SotEU speech gave the impetus for MS preference formation on a loan for UA, consolidating Merz's endorsement of a RL scheme, BE's legal-financial and fiscal objections and HU's fundamental resistance. Thus, it created insurmountable divergences, most importantly between the 'Drivers' and the 'Brakemen'. The asymmetrical interdependence between the 'Drivers' and BE (holding the big majority of assets), and HU (blocking unanimity-based decision-making) set the stage for the subsequent mechanisms to address.

5.2 The Politico-Technical Bargaining Mechanism

To analyse how the EC acted as an ideational entrepreneur, it is important to state that interstate bargaining dynamics, including maximalist demands, coalition formation, concessions and veto-threats shaped the shift from the CBR assets-backed RL to the MFF headroom-backed LRL. This sub-section focuses on insights from MS bargaining and the EC's adaptive role.

Before getting to the main constituent parts of the PTBM, this analysis points out insights gained from the interview with the Estonian Diplomat on an entity, which was broadly left out in the publicly available sources, yet played an important enabling role for the bargaining process: the Danish Council Presidency. From the Diplomat's perspective, by isolating elements that were previously agreed on, the Presidency had a very competent approach: dividing discussions into different packages to steer and advance the negotiations. Recurrently, the Diplomat mentioned two 'working groups': One composed

¹¹⁰ The following reporting about HU's opposition against a MFF headroom-backed version elaborates on that. See: Sheftalovich. Z. (19.12.2025), 'How Belgium's Bart De Wever beat the EU machine', Politico Europe, <https://www.politico.eu/article/european-council-summit-belgium-bart-de-wever-beat-eu-machine-ukraine-funding/> (accessed 05 January 2026)

¹¹¹ European Council (23.10.2025), 'European Council meeting (23 October 2025) – Ukraine conclusions', p. 3

of Nordic-Baltic MSs, DE and other 'Drivers' focused on the UA support and the implementation of the loan, i.e. relating to the needed flexibility to procure UA with what it needs, the EU preference discussion and the speed of the disbursement of the funds. The other group, mainly composed of BE and Luxembourg, worked on the loan's guarantees, FDI-related topics and risk-mitigation measures. For the sake of completeness, it is important to mention the Presidency's role as bargaining facilitator, for instance, via the joint organisation of the EUCO summits alongside the EUCO President and the Council Secretariat.

Getting to the substance of this sub-section, as a follow-up to the October EUCO conclusions calling on the EC to present options, von der Leyen, on the 17th of November, sent a letter to European governments. At this stage, as several interviewees pointed out, mainly informal negotiations within COREPER II, FICO and bilateral meetings between the EC/MSs and BE were taking place. Von der Leyen's letter emphasised the following parameters for the scheme that would provide UA with future support: timeliness, debt sustainability, flexibility and burden-sharing with international partners. Based on its calculations on preliminary projections by the International Monetary Fund¹¹², the EC estimated that UA's total external financing needs for 2026/27 would amount to €135.7 bn, of which the EU would cover roughly two thirds. While the EU executive assumes in the letter that UA will receive the same level of third-party military support as in 2025, it also posits that the war will end in 2026. The letter outlines three options: Non-repayable support to UA financed by MSs (bilateral grants); a CBR assets-backed RL; and Union borrowing not linked to the cash balances of financial institutions. Ultimately, the EC President underlined that bridging options *'until the new MFF is adopted, freeing up headroom for guarantees to (the LRL)'*¹¹³ remained possible.

A response from the Belgian PM didn't take long. In his letter to the EC's President on the 27th of November, De Wever formally rejected a CBR-assets backed RL, viewing it as *'fundamentally wrong'*¹¹⁴, that it *'would not only violate international law (but equally) instigate uncertainty and fear into the international financial markets'*¹¹⁵, and likely be perceived as illegal confiscation. In view of this profound rejection, the PM formulated

¹¹² International Monetary Fund (26.11.2025), 'IMF and Ukrainian authorities reach staff-level agreement on a new US\$ 8.1 billion 48-month Extended Fund Facility (EFF) arrangement', <https://www.imf.org/en/news/articles/2025/11/26/pr-25399-ukraine-agreement-on-new-us-8-point-1-bil-48mo-eff-arrangement> (accessed 13 January 2026)

¹¹³ Von der Leyen. Ursula (17.11.2025), 'Options for Financial Support to Ukraine', p. 10, https://www.politico.eu/wp-content/uploads/2025/11/17.11.2025_Letter-from-President-von-der-Leyen-to-EU-leaders_letter_optionspaper.pdf

¹¹⁴ De Wever. Bart (27.11.2025), 'Letter to von der Leyen', p. 1, https://multimedia.lecho.be/echo-assets/pdf/251127_FinancingforUkraine.pdf

¹¹⁵ Ibid.: p. 2

the following three conditions for any type of assets-backed RL: (I) MSs need to provide liquidity in the form of '*legally-binding, unconditional, irrevocable, on-demand, joint and several guarantees to the Union, based on the GNI key*'¹¹⁶; (II) coverage of the BIT litigation risks by the Union; and (III) inclusion of CBR and commercial bank assets from other MSs¹¹⁷. The subsequent analysis will show that BE's maximalist tone of said conditions for the RL somehow pointed towards their preferred option, the LRL.

The interview with the Swedish Diplomat revealed that, given the high domestic salience in BE, bilateral talks to understand their concerns were conducted from the end of September onwards. Already then, Belgian Officials from the Ministry of Foreign Affairs (MoFA) had expressed pessimism. As of early December, bilateral meetings with Belgian MoFA officials and the PM's Chief of Staff of Foreign Affairs and Security intensified, culminating in negotiations at the COREPER II level.

As to (I), the Swedish Senior Counsellor highlighted that, though Sweden was ready to provide the full amount of MS guarantees as per its GNI, it was not ready to provide '*joint and several*' ones, since this would mean that if one MS would not be able to finance their share, the others would be viable. As established by the French Senior Diplomat, most MSs, including the Nordic ones, Poland and FR were not ready to provide them. Some MSs require national parliamentary approval to provide such guarantees. In that sense, the Estonian Diplomat elaborated that FR had concerns about whether such guarantees would pass parliamentary approval. As to (II), the Swedish Senior Counsellor revealed that Sweden was ready to renounce its BIT with Russia. This can also be explained by the fact that many Northern European and Baltic countries had already heavily divested from Russia and introduced inbound FDI screening for Russian investments. As previously alluded to, this leads to assumptions about IT's and Austria's bargaining goals and coalition formation. As to (III), the EC's legislative proposals will further elaborate on that part later.

Given the 'demarcation line' between BE's maximalist conditions to agree to the RL and the domestic limitations of the 'Drivers' and 'Conditional Drivers', further coalition formation and politico-technical bargaining at the EU level within COREPER II and FICO, as well as bilateral levels, was necessary to reach an agreement.

¹¹⁶ Ibid.

¹¹⁷ Those amount to approx. €25 bn, which explains what the EC's proposal for a €210 bn final RL is composed of: €185 bn in cash balances from the immobilised CBR assets from Euroclear and €25 bn from other MS's immobilised assets from commercial banks

The Swedish Senior Counsellor signalled that within COREPER II, HU voiced further concerns over the amendment of the MFF Regulation, which resulted in the LRL being '*put on the shelf*' and the preparatory work leading up to the December EUCO, therefore mainly focusing on the RL. At this point, it is crucial to underline that, irrespective of the funding, the use of the proceeds would be the same for both the RL and the LRL. In that sense, as the Senior Counsellor alluded to, part of the preparatory work within COREPER II and FICO could, irrespective of the choice of loan, be reused. As to the timeline and the nature of informal negotiations, the French Senior Diplomat noted that those were most intense from the 27th of November onwards. Until then, the EC only presented options, not legislative proposals.

While political bargaining on whether and how to leverage the CBR assets materialised before the October EUCO Summit, this thesis points out the lack of consensus on the 23rd of October for the amendment of the MFF and the sustained maximalist demands from BE as determining activities within the PTBM. While the EC's options paper and legislative proposals structured the bargaining landscape, BE's maximalist conditions for the RL and HU's continued opposition to any scheme remained a decisive obstacle until legal-institutional workarounds could be used in practice. The shift from the RL to the LRL was thus not a rejection of the repurposing of the CBR assets per se, but rather a pragmatic adaptation to legal-financial, fiscal and political constraints.

5.3 The Legal-Institutional Resolution Mechanism

The aim of this sub-section is to examine how legal constraints (for instance, the unanimity voting requirements, the ECB's refusal to provide a backstop to the RL and the provision of unlimited MSs guarantees), and institutional workarounds (Art. 122 TFEU, enhanced cooperation and the use of the MFF headroom) enabled to bypass the deadlock and reaching a final agreement.

Given the remaining reluctance by certain MSs to provide bilateral guarantees (the second line of financing in case Russian litigation claims were to succeed) for the assets-backed RL, the EC was in close consultations with the ECB for a potential backstop for said guarantees. As the French Diplomat noted, many MSs asked for the ECB's evaluation to be a central factor in the decision-making. The institution's concerns about potentially reduced trust in the EU's financial system for inbound FDI were, as noted by the Swedish Diplomat, adopted by BE. In that sense, the ECB's refusal to provide a backstop on the

2nd of December¹¹⁸ marks an important inflection point, prompting the EC to search for different avenues to back up the RL.

On the 3rd of December, the EC published its legislative proposals. Most importantly, one Regulation to establish the RL leveraging €210 bn in cash balances of CBR assets (to be repaid by Russian reparations), and another Regulation to amend the 2021/27 MFF to use the MFF headroom and mobilise resources above ceilings (the LRL, based on EU borrowing). Proposing two texts allowed keeping the discussions open, while paving the way for the December EUCO summit. Yet, a resolution to the unanimity deadlock was still not reached.

Elaborating on this open approach, the EC Official explained that the MFF-backed LRL was a '*safer option*', since it simply meant replicating pre-existing financial constructions, such as the MFA Plus or the Ukraine Facility. The Official added that this still required a novel construction to address concerns about the EU's and UA's budgetary sustainability¹¹⁹. As to the advantages of the LRL, the Official added that an MFF-backed loan wouldn't affect the sustainability of UA's debt and that it would be a '*legally solid solution*'. From a financial perspective, compared to MS guarantees or bilateral loans, a MFF headroom-backed option was the most suitable scheme, it (was) the quickest and financially most efficient way to provide equivalent guarantees. On the question of EU taxpayer impact, the Official noted that the nature of the LRL implies that there is no maturity, which allows to spread the reimbursement over a long period of time. A disadvantage, however, would be, given the likely base in enhanced cooperation, that it is budgetarily more complex¹²⁰. The Estonian Diplomat confirmed that in retrospect, the LRL was seen as the most viable option given the impossibility for many MSs to provide the uncapped guarantees BE requested for the RL¹²¹.

To circumvent the biannually needed unanimity for the continued immobilisation of the CBR assets, it was paramount to indefinitely immobilise them. Given HU's persisting veto threat, the recourse to the EU's 'Crisis Article' (Art. 122 TFEU), a part of the EC

¹¹⁸ As reported by the Luxembourg Times, the ECB cited the likelihood of treaty violations on monetary financing as justification for its refusal. See: Jacob. H. (02.12.2025), 'ECB refuses to provide backstop for €140 bn Ukraine loan', Luxembourg Times, <https://www.luxtimes.lu/europeanunion/ecb-refuses-to-provide-backstop-for-140bn-ukraine-loan/109459436.html> (accessed 27 January 2026)

¹¹⁹ For further details, refer to Section 2.1, sub-section 'Legislative Proposals'

¹²⁰ The Verfassungsblog article stated that budgetary complexity (contingent liability via the EU budget) was the trade-off for legal certainty, as the justification to use Art. 122 was contested amongst legal scholars. See: van Elsuwege. P. (2025)

¹²¹ This can be confirmed by the following Politico article, which stated that '*giving (BE) a blank check was a non-starter, with countries concerned about an unlimited liability to their bottom line*'. See: Sheftalovich. Z. (19.12.2025), 'How Belgium's Bart De Wever beat the EU machine', Politico Europe, <https://www.politico.eu/article/european-council-summit-belgium-bart-de-wever-beat-eu-machine-ukraine-funding/> (accessed 05 January 2026)

proposals¹²², was thus seen as contingent to keep the CBR assets-backed RL 'alive'. Yet, as noted by the French Senior Diplomat, this decision was taken independently of the final choice on the type of loan. Voting on the Council Regulation 2025/2600 (on the indefinite immobilisation of the CBR assets), based on Art. 122 via written procedure, seemed like a bold legal workaround as it allowed to adopt the Regulation by QMV. In this context, it is noteworthy that, as the French Senior Diplomat underlined, BE abstained during the vote on the 12th of December. One reason for the host of Euroclear not having voted against said Regulation could be, as stated by the interviewee, that it served to generally protect CSDs.

As to the unanimity requirement, given HU's persisting veto threat against the MFF-amendment, the interview with the Estonian Diplomat confirmed that enhanced cooperation is only used if the weight of the decision is very high. Given the ongoing US-led peace negotiations, using Art. 20 TEU was politically motivated and seen by most of the interviewees as a last resort to provide UA timely with the needed support.

Even though EUCO succeeded to indefinitely immobilise the CBR assets, MSs during the EUCO summit on the 18th of December decided on the LRL, using Art. 20 TEU to exempt HU, SK and CZ from the attached financial obligations. The summit conclusions read that EUCO *'agrees to provide a loan to (UA of €90 bn) for the years 2026-2027 based on EU borrowing on the capital markets backed by the EU budget headroom'*¹²³. Even though the CBR assets weren't leveraged, the 'Drivers' of the RL succeeded in including a section calling on *'the Council and the (EP) to continue working on the technical and legal aspects of the instruments establishing a (RL) based on the cash balances associated with (the immobilised CBR assets)'*¹²⁴. On that note, the Estonian Diplomat mentioned that the final EUCO agreement can be seen as a *'bridging solution'*, ensuring support for UA and allowing work on the RL to continue in parallel.

In sum, the LIRM was prompted by BE's objections to the RL, most prominently pronounced in its' PM's letter (27th of November) and further accelerated by the ECB's refusal to provide a backstop (2nd of December). While the recourse to Art. 122 TFEU allowed to indefinitely immobilise the CBR assets (12th of December), enhanced cooperation allowed to bypass vetoes, and the MFF headroom (budgetary guarantees)

¹²² For further details, see: European Commission (03.12.2025), 'Proposal for a Council Regulation on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of war in Ukraine', https://commission.europa.eu/document/download/65ec50b2-81dc-4e00-9e6f-a5ba75123c00_en

¹²³ European Council (18.12.2025), 'European Council meeting (18 December 2025) – Ukraine conclusions', p. 4, <https://www.consilium.europa.eu/media/qxolrs5r/en-20251218-text-ukraine.pdf>

¹²⁴ European Council (18.12.2025): p. 4

provided the treaty-based path to resolve the deadlock. Thus, the LRL emerged as a pragmatic solution, which allowed to navigate the legal-financial, fiscal and political constraints from the EU and single MSs.

5.4 The Consensus Expectations Gap

Previous causal mechanisms showcased that while it is possible to align activities from involved entities within a temporal frame, their non-linear interaction not only challenges this thesis' intent to fit them into clear-cut mechanistic 'units' and 'sub-units' (such as the turning points), but also neglects one of the most important elements to answer the initial research question: what expectations were nourished to leverage the CBR assets and how did these relate to the EU's capacity to reach consensus amongst MSs? Whilst the causal mechanisms are theory-driven and based on key assumptions of LI, they mostly neglect the discrepancy between the EC's/MS's political rhetoric and EUCO's (including COREPER II and FICO) institutional capacity to deliver. This section, via the CEG-lens, analyses how the gap manifested and how it was ultimately resolved.

By laying the ground for an institutionalised 'the aggressor must pay' narrative and the 'no taxpayer burden' framing, the impetus of the SotEU speech set high expectations for a mechanism that would support UA with minimum EU costs, while maximising pressure on Russia and guaranteeing the EU a seat at the table for future peace negotiations (the latter was mainly underlined by the French and Estonian interviewee). The failure to reach a political agreement on the RL during the October EUCO summit exposed for the first time explicitly the gap between the political ambition for the RL and the decision-making realities in CFSP, which culminated into calling onto the EC to present options. This was the first clear sign, according to the Swedish Senior Counsellor, that a CBR assets-backed loan might not be feasible. Established in Section 5.1, all interviewed 'Drivers' (with some nuances about confiscation), as well as France as a 'Conditional Driver', underlined the expectation to address UA's financing needs and that the RL was seen as a preferred solution. In that sense, the 'make the aggressor pay' narrative was prevalent.

The EC's option paper then lowered expectations by presenting alternative paths that acknowledged previously expressed legal and financial constraints. However, as underlined by the French Senior Diplomat, the choice to indefinitely immobilise the assets, a prerequisite for an assets-backed loan, was seen as independent from the ultimate choice of loan for UA. One important nuance for Sweden (as for other 'frugal' MSs), as mentioned by the Swedish Senior Counsellor, was however, that EU joint

borrowing for UA is acceptable, under the sole condition that it remains exceptional and that the loan is to be repaid by Russia via reparations, keeping the CBR assets immobilised. This latter part resonated with the expectations of most 'Drivers' and France.

Furthermore, from the perspective of the EC Official, the EC's assessments on UA's financing needs in the options paper are indicative, based on alternative scenarios and the best information available. The Estonian Diplomat noted that while the EU leads the way, covering two-thirds of the estimated €135,7 bn in UA's financing needs for 2026/27, the expectation was that other multi- and bilateral donors, such as from the G7, Canada, Japan, the US and the United Kingdom, should also contribute.

On the side of legal and financial constraints at EU and MS-level, numerous elements have been mentioned in the Sections 5.1 until 5.3. BE's multi-fold legal and fiscal objections expressed in De Wever's letter to von der Leyen are considered most important. Furthermore, MSs, such as FR and IT required contingent liability treatment for their guarantees. As the Swedish Financial Counsellor revealed, persisting reservations on the RL from BE and MSs further geographically distanced from UA within COREPER II and FICO indicated that more interest was shown in alternative solutions. With the ECB's refusal to provide a backstop to the assets-backed loan, the gap between expectations to leverage the assets and the consensus on how to operationalise the RL opened further. Following onto that, all interviewees from MS PermReps confirmed that BE's opposition and maximalist demands, most importantly for unlimited joint and several guarantees, was considered most determinant in shifting the focus towards the LRL.

This leads to the political decision from the December EUCO summit. As noted by the EC Official, the MFF headroom-backed LRL was a pragmatic solution, foreseen by the Treaties, in a moment where a decision had to be urgently taken and an agreement seemed impossible otherwise. In addition to that, as alluded to in Section 5.3, it meant replicating pre-existing financial constructions, making it thus a '*safer option*'. In light of the summit conclusions stating that the assets remain immobilised, EU taxpayers, at this point, would only be burdened to a limited degree, and the possibility for the Council and the EP to continue working on the RL based on the cash balances of the CBR assets, this agreement can be seen as a bridging solution.

Ultimately, the CEG allowed to map out the relatively short timeframe of the decision-making process from September until December 2025. The initial ambition to leverage the CBR assets collided with institutional constraints, conditioned by political dissent and led to a consensus failure during the October EUCO summit. The 'resolution' came

through the lowering of expectations, capability enhancement (use of Art. 122 TFEU, enhanced cooperation) and compromise, with the EU24 LRL emerging as the pragmatic middle ground that preserved the core principle (the assets), while navigating legal and political constraints.

5.5 Inter-mechanistic synthesis

The aim of this sub-section is to integrate the three causal mechanisms within the CEG framework, to demonstrate how their non-linear interaction produced the outcome, and ultimately to answer the research question. The causal chain from the impetus to the outcome is connected via turning points, where mechanisms enabled or constrained each another.

First, von der Leyen's SotEU speech, by introducing the RL enabled MS preference formation and the creation of 'coalition clusters', including MSs who can be qualified as 'Drivers' (embracing the moral-geopolitical imperative to support UA), 'Conditional Drivers' (whilst in favour of supporting UA, with the need to balance budgetary constraints and risk mitigation) and 'Brakemen' (raising legal-financial and ideological objections and hindering unanimous decision-making). Whilst Merz's OpEd in the Financial Times solidified the 'Driver' coalition, it marks a turning point in bilateral consultations with BE. The subsequent October EUCO Summit revealed an impasse in decision-making and led the EC to explore alternative options.

Second, triggered by the EUCO's inability to agree to a RL, politico-technical bargaining at the multilateral level between MS coalition clusters (including COREPER II, FICO), facilitated by the Council Presidency and the Council Secretariat, as well the bilateral level between BE and the EC/single MSs followed. In that regard, De Wever's letter to the EC's executive with maximalist demands reinforced the decision-making deadlock. Thus, this part of the PTBM drove the search for alternatives to an assets-backed RL, while BE's intransigence and HU's reluctance to agree to an amendment of the MFF remained decisive obstacles until legal workarounds were in reach.

Third, while the ECB's refusal to backstop an assets-backed RL further exposed monetary financing restraints, it accelerated the shift to the LRL. The EC as an ideational entrepreneur mediating with BE and the Danish Council Presidency as facilitator for a future agreement are important enabling entities in that regard. Recurrently, the EC, by publishing the options paper, predetermined further politico-technical bargaining. Even more importantly, it was the EC's two-fold legislative proposal, which paved the way to

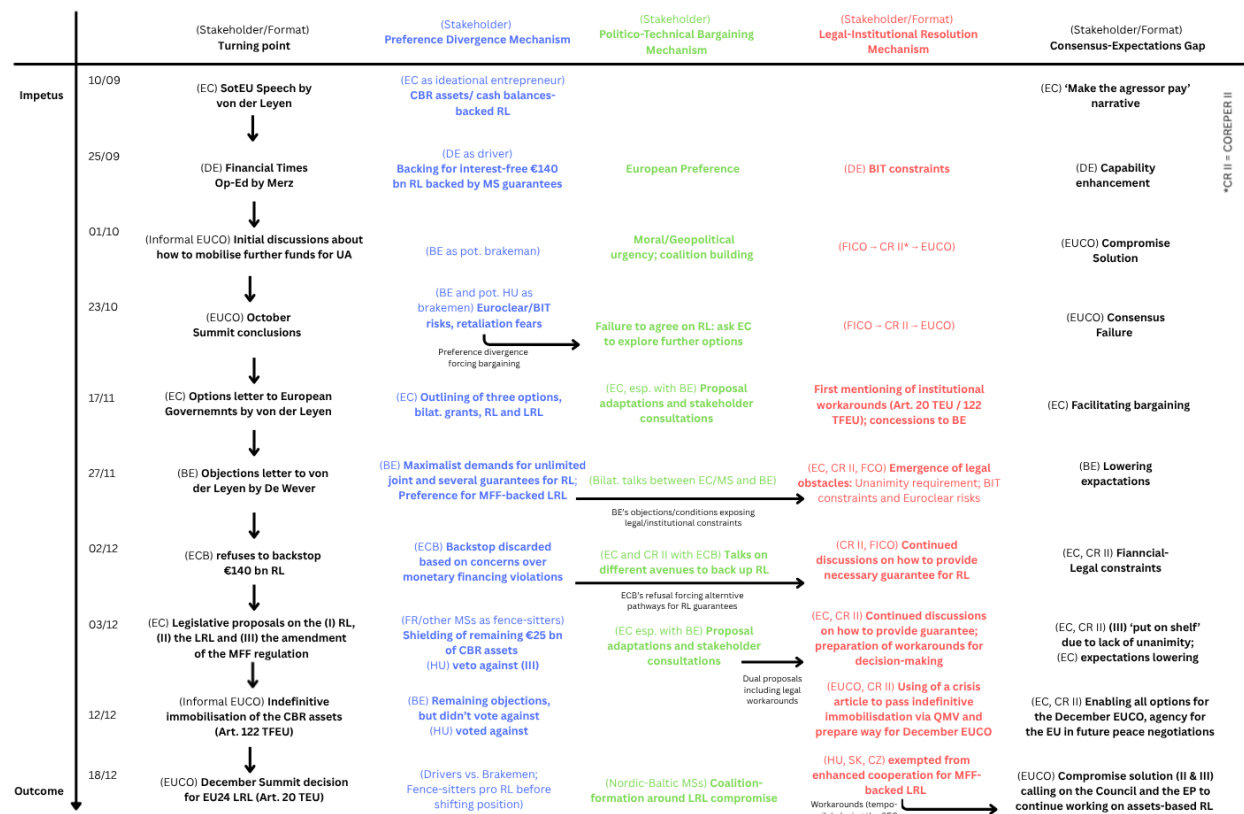
legal-institutional workarounds, namely the decision to indefinitely immobilise the CBR assets and to use enhanced cooperation for the EU24 LRL (exempting HU, SK and CZ) during the December EUCO summit. Altogether, the LIRM provided the workarounds, which allowed to simultaneously circumvent the unanimity requirement and addressing BE's concerns by agreeing to their preferred option.

To answer the research question, the application of LI as a framework theory to the EU's Ukraine funding crisis revealed that multiple factors were determinant in the assets and their cash balances not being leveraged for the Ukraine loan: fiscal and financial restraints, legal-institutional hurdles, fears about litigation and Eurozone financial stability, democratic accountability to domestic constituents, to mention a few. In light of the previous findings, the analysis concludes that there are myriad entities, activities and causal elements that led to an MFF headroom-backed scheme. There is however one overarching concept which best synthesises the causal mechanisms which led to the outcome: the gap between the initial expectations and the needed consensus to reach an agreement. Contrary to the ambition to 'make the aggressor pay', legal-financial constraints revealed an initial gap, which only widened with the failure to reach consensus during the October EUCO summit, as politico-technical bargaining clashed with potential legal-institutional workarounds. Ultimately, the bridging solution in form of the LRL remains a compromise, which kept the principal (and thereby putting the EU in a position to contribute to future peace negotiations), avoided taxpayer burden (except for the borrowing costs for the interest subsidy to UA to be paid by MSs; until Russia decides not to pay UA reparations and) and used pre-existing tools from the EU treaties (with the novelty that the loan's contingent liability in the form of EU funds will need to be reimbursed via the EU Budget if Russia doesn't pay back the loan in reparations to UA).

Whilst the interaction between applied causal mechanisms remains non-linear, for the sake of analytical clarity, the previous sub-sections aimed to delimit the mechanisms from each other as best as possible. It showed that LI, if complemented by the CEG, can be used as a versatile tool to dissect CFSP decision-making in times of crisis for shorter analytical periods. Also, in line with Naurin, while the EC and the Council Presidency fulfilled enabling roles as ideational entrepreneur/facilitator for interstate bargaining, their importance for the outcome shouldn't be overstated. This is best captured by the asymmetrical interdependence between the 'Drivers'/partially the 'Conditional Drivers', and the 'Brakemen', most importantly BE as host of Euroclear and HU blocking unanimous decision-making.

To open for future reflections on how a mechanistic understanding for a specific policy outcome can inform the analysis of CFSP-making in crisis situations, the following graph presents a more overarching and complementary classification of the turning points, structured by a chronological timeline and a view via the lens of the CEG.

Table 3: **Visualisation of inter-mechanistic dynamics during the EU's Ukraine funding crisis**



Source: author's own visualisation (Christian M. Bissinger)

6. Concluding discussion

United in willingness? The EU's response to its Ukraine funding crisis by the end of 2025 suggests a nuanced answer. While the Union demonstrated collective resolve to support UA, the path from ambition to action revealed the fracturing power of divergent national interests, financial-legal constraints, and institutional realities. The expectation to leverage CBR assets for UA's financing ultimately did not materialise in the form of a RL, though the assets themselves remained part of the equation, not least through the continued use of their ERs. The EUCO conclusions' explicit call to resume work on asset-backed solutions underscore that the principle remains immobilised.

The policy outcome emerged from the non-linear interaction of three primary causal mechanisms, each shaping the trajectory from von der Leyen's September SotEU speech to the December EUCO compromise. The Preference Divergence Mechanism laid the foundation, as domestic material interests and moral-geopolitical considerations created insurmountable cleavages. BE's position as host to Euroclear, which holds approximately two-thirds of all immobilised CBR assets, meant its concerns were not merely technical but existential, touching on financial sector stability, BIT litigation risks, and fiscal constraints. Meanwhile, HU's veto power under CFSP unanimity decision-making, gave it disproportionate leverage, ensuring that no solution could proceed without addressing its fundamental opposition. Between these poles stood 'Conditional Drivers' (FR, IT), whose support for UA was tempered, to different degrees, by their own vulnerabilities: exposure to Russian retaliation through inbound and outbound FDI, and the need to balance legal risks with fiscal prudence. This divergence revealed the asymmetrical interdependence that defines current EU crisis decision-making, where the states with the most to lose often hold the most leverage to block collective action.

The Politico-Technical Bargaining Mechanism then exposed the limits of compromise. The EC's attempts to bridge divides through legislative proposals and bilateral negotiations ultimately collided with BE's maximalist demands - uncapped guarantees, EU coverage of litigation risks, and the inclusion of all EU-held assets - which most MSs were not ready to meet. The ECB's refusal to provide a backstop, citing prohibitions on monetary financing, removed the last potential safety net, accelerating the shift toward alternatives. Here, the limitations of LI as a framework theory for this case became apparent. While LI effectively captured the rational, interest-driven behavior of states and the strategic nature of interstate bargaining, it was limited in its account for the non-linear interactions between mechanisms, the role of non-state actors like Euroclear, or

the constraining nature of existing institutional workarounds. The EC's ideational entrepreneurship, for instance, was limited by the very intergovernmental structures LI highlights, revealing a tension between supranational ambition and intergovernmental reality.

The analysis via the Legal-Institutional Resolution Mechanism showed that treaty-based workarounds - using Article 122 TFEU to indefinitely immobilise assets via QMV and enhanced cooperation under Article 20 TEU to enable the EU24 to adopt the LRL - demonstrate the EU's capacity for limited institutional innovation in the face of gridlock. Yet these solutions were not without trade-offs. The recourse to emergency powers and differentiated integration risks normalising a model where progress no longer requires full unity - a development that could erode the principle of sincere cooperation, as well as the Union's external policies' democratic legitimacy over time.

At the heart of the outcome was the CEG, a concept that builds on Hill's Capabilities-Expectations Gap. While Hill's original framework focuses on the mismatch between the EU's ambitions and its instruments, the CEG refines this by emphasising the gap between what MSs expect to achieve collectively and their willingness to accept attached transaction costs via consensus. In this case, the ambition to 'make the aggressor pay' collided with the divergent national interests, the need to maintain financial stability and the institutional realities of unanimous decision-making. As Hill noted, '*the external cannot be divorced from the internal*'¹²⁵. Here, the EU's external goals of supporting UA and pressuring Russia were constrained by internal divisions over risk, liability, and sovereignty. The bridging solution of the EU24 MFF headroom-backed LRL thus represented a pragmatic lowering of expectations, preserving the principle of asset immobilisation while enabling consensus.

As to the findings' relevance for future research on CFSP decision-making in times of crisis, this case study demonstrates from a mechanistic perspective how non-linear interactions between preference formation, bargaining dynamics, and legal-institutional workarounds shape outcomes in ways that challenge traditional models of EU policy-making. The role of non-state actors like Euroclear, the asymmetrical interdependence between MSs and the limits of unanimous CFSP decision-making point to the need for frameworks that can better capture the complexity of EU crisis response. Related topics, such as the long-term implications of differentiated integration for EU cohesion, or the

¹²⁵ Hill. C. (1998), p. 24

external perceptions of the EU's use of economic statecraft, could only be partially addressed here but warrant deeper exploration.

Ultimately, the EU's Ukraine funding crisis revealed a Union capable of adaptability, but at a cost. The turn to enhanced cooperation allowed action where consensus was impossible. Yet it also highlighted the growing distance between collective ambition and individual willingness. In that sense, it remains to be seen whether the EU can sustain an effective CFSP-making. When in the short-term, EU Treaty reforms are considered important, yet are unlikely to happen, preserving unity when it becomes increasingly conditional is crucial for the long-term.

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¹²⁶ For more information, refer to the EC's Representation to Sweden's website: https://sweden.representation.ec.europa.eu/bo-arbeta-studera/projekt-bollplank-stod-vid-uppsatsskrivande_sv?prefLang=en

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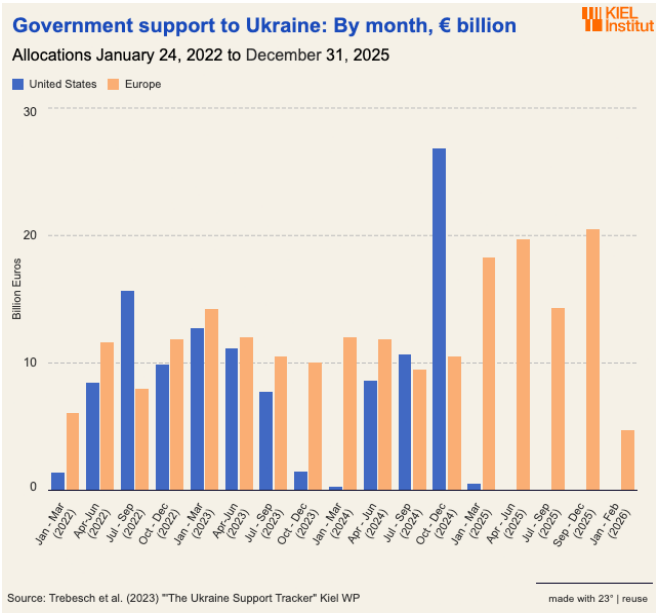
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Annexes

Annex 1

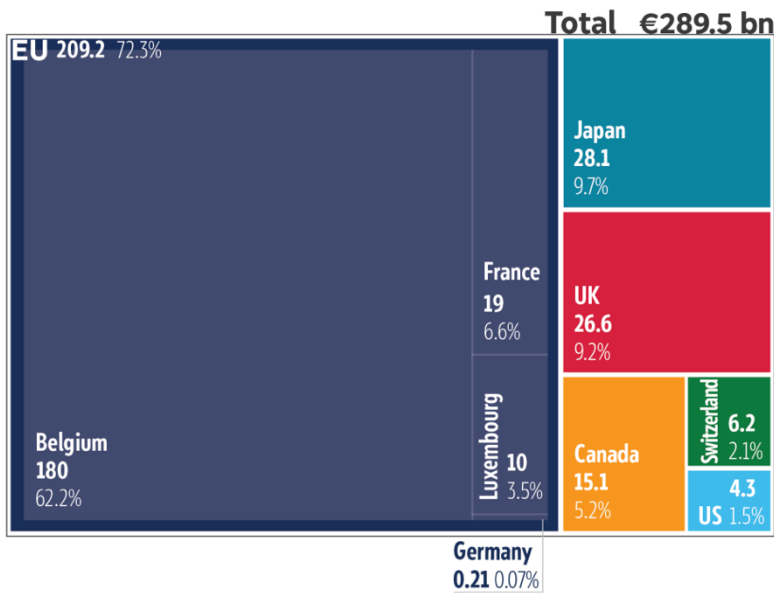


Government support to Ukraine: By month, € billion

Bar chart

Antezza et al. 'Ukraine Support Tracker Data', Kiel Institute for the World Economy (16.04.2026). Available at: <https://www.kielinstitut.de/topics/war-against-ukraine/ukraine-support-tracker/> (accessed 29 April 2026)

Annex 2



Frozen Russian assets: Main EU and non-EU jurisdictions, 2025 (€ billion)

Rectangular pie chart

Caprile. Anna et al. (September 2025), 'Confiscation of immobilized Russian sovereign assets: State of play, arguments and scenarios', European Parliamentary Research Service, p. 2, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/775908/EPRS_BRI\(2025\)775908_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/775908/EPRS_BRI(2025)775908_EN.pdf) (accessed 02 May 2026)

Annotations from the authors: For Luxembourg, where estimations vary from 'several (bn) euros to around €20 (bn)', the authors opted for a conservative figure (€10 (bn))

Annex 3



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Questionnaire – Study of the EUCO €90 bn Ukraine loan decision

Information

Date of Interview:

Full name:

Name of institution; unit/department:

Position:

Years of employment in this position / institution (please elaborate):

#1: Introduction

- 1) Can you briefly describe your past and current role and how it relates to discussions around EU's sanctions regime vis-à-vis Russia and future aid for Ukraine?

Probes

- How directly were you involved up to the 18.12. (EUCO decision on the €90 bn Ukraine loan) / are still involved (Cf. Enhanced cooperation; Hungary's veto;...)
- Is your role primarily political, administrative, diplomatic or technical?
- Which part of the process are you most involved with?

- 2) From your perspective, which aspects of the remaining debate about the use of the EU budget / the immobilised Russian State Assets are most important in your work?

Probes

- EU CFSP / Sanctions Policy / Economic Statecraft
- EU Enlargement Policy
- Peace / armistice negotiations about Ukraine
- Reconstruction of Ukraine
- EU (MS) Financial support
- European Security

#2 General questions for Member States

3) How freely can you talk about potential internal, bi- or multilateral discussions

Probes

- What aspects did you cover within your unit/department?
- With '**Brakemen**' of the Reparations Loan proposal (for instance, BE, HU, SK and CZ)
- With 'Drivers' of it (for instance, Germany, Sweden, the Baltics and the EC)

4) How present were the negotiations about the use of the immobilized Russian assets / Ukraine's future aid in your work?

Probes

- Since February 2022
- September 2025
- November 2025 (VdL letter presenting 3 options to European gvts; De Wever counter letter)
- After the EC's legisl. Proposal of the Reparations loan; adaptation of the MFF

5) How were you / your unit/department involved in the negotiation / preparation of the ultimate EUCO decision?

Probes

- What potential trade-offs / side-payments (i.e. to HU, SK, CZ) were you ready to make to ensure that Ukraine would have financial support after the EUCO Summit?

6) Did you experience a sudden shift in coordination / negotiation goals on the handling / potential repurposing of the Russian assets?

Probes

- Between February 2022 and September 2025
- September and December 2025
- Within your unit/department
- By other MS
- The EC

7) How did your expectations towards the use of the assets / the EU budget shift?

Probes

- From the first mentioning of a Reparations Loan by von der Leyen in her SotEU speech in September 2025 towards
- Merz advocating for this position, vdL laying out three main options to cover Ukraine's 2026/27 financing needs in mid-November 2025,
- the use of Art. 122 to indefinitely immobilize the assets (12.12.)
- and then the EUCO decision on the €90 bn loan evolve?
- Within your unit/department
- By other MS
- The EC

#3 Questions to Permanent Representations to the EU

→ COREPER II/Antici Counsellor; FICO Working Group

i. Institutional & Legal hurdles

- 8) Which actors / factors were, in your view, most determinant in shifting the focus from the Reparations Loan towards the three options of future financing and ultimately towards common debt?

Probes

- Why did common debt (using the 2021/27 MFF's headroom, backed up by the EU24) remain the 'most politically and legally viable' option?
- Where there any other options that weren't part of the public discussion?

- 9) Given the constraints of unanimity voting for Ukraine's future aid, to what extent did the threat of a national veto necessitate a shift towards the use of Art. 122 TFEU and enhanced cooperation?

Probes

- What about the exclusion of certain Member States?
- What about litigation risks and burden sharing (Lack of solidarity amongst MS)

- 10) Do you agree with the framing that the use of the MFF's headroom for the €90 bn loan can be viewed as a pragmatic solution of 'fiscal integration' (and pot. future collaboration of the EU24 within CFSP)?

Probes

- Different framing: failure of the EU's capacity for coercive action ('Make Russia pay')?
- What about European taxpayers
- Pot. extortion by HU, SK and CZ

ii. Political will and 'the grand bargain'

A) Drivers (i.e. Germany, Sweden)

- 11) If so, how did your negotiation position change once IT, BE, Bulgaria and Malta raised objections against the Reparations Loan after indefinitely immobilising the Russian assets on 12.12. ?
- 12) How did you perceive the French position before and after the Council decision to use Art. 122 TFEU? Did you have concerted efforts to convince those MS opposed to the Reparations Loan proposal before and/or after 12.12. ?

13) Despite strong vocal support from Chancellor Merz, Northern European and Baltic States, as well as the Commission, what specific 'red lines' from other MS ultimately made the €210 bn Reparations Loan legally and politically untenable?

Probes

- How much did considerations that the solution of common debt would burden MS taxpayers impact the final EUCO decision?
- What role did concerns over pot. Russian countermeasures for MS business and future (trade) relations with Russia / legal liability risks play?
- To what extent did risks, the ECB warned about, such as the devaluation of / divestment from the Euro play a role?

14) How did you perceive the EC's role? How do you evaluate the EC's legislative proposals?

Probes

- the Reparations Loan to Ukraine, beginning of December 2025?
- The Regulation implementing Enhanced Cooperation on the establishment of the Ukraine Support Loan for 2026/27

15) Why did you ultimately agree to the €90 bn Loan to Ukraine, based in the headroom of the 2021/27 MFF?

16) The Commission, based on its calculations on preliminary projections by the IMF and the assumption that the war ends in 2026 calculated that Ukraine's 2026/27 needs amount to approx. €135.7 bn, of which ca. €45 bn needs to be covered by third party support contributions. This represents a significant risk. Were there any efforts for a higher loan, based on the MFF?

Probes

- Any alternative financing-mechanisms?

17) (For Sweden) Given your high level of threat perception from Russia, you were one of the strongest proponents of the Reparations Loan scheme; also you're known for your frugal stance

Probes

- If there were any, what were your red lines regarding alternatives to the Reparations Loan scheme
- What was your response when the Belgian opposition proved durable, for instance, when the focus shifted from using the Russian assets to leveraging the MFF, which ultimately impacts European taxpayers?

B) Brakemen (i.e. BE, IT, FR (partially?))

18) Did your evaluation of the ECB and Euroclear about the Euro's financial stability evolve between September and November / December 2025?

Probes

- Potential repercussions for inbound FDI, i.e. from UAE/the PRC
- Remaining assets in Russia
- How did you factor in Ukraine's (adverted) bankruptcy and security implications for Europe with Ukraine not meeting the needed funds to continue deterring/fighting Russia?

Belgium

19) How did you perceive the shift in strategy by the European Commission to shift from its solution of a €140 bn Reparations loan, towards exploring other options?

Probes

- Bilateral support
- Common debt
- To what extent did you feel your objections addressed?

20) Given the need of the Reparations Loan proposal for other Member State to also provide guarantees, how cooperative did you perceive their willingness to commit / contribute?

Probes

- Special Purpose Vehicle
- €140 to 210 bn Reparations Loan proposal
- How well did you feel your fears about Russian litigation be addressed by the final Reparations loan proposal?
- How well did you feel Euroclear's concerns, such as their remaining assets in Russia and future business in the country being addressed?

21) Was your vote within the Council of the EU to use Art. 122 (12.12.2025) to indefinitely immobilize the assets within the EU a 'strategic compromise' that allowed you to protect your financial sector/Euroclear?

Probes

- ...while allowing to keep the assets immobilized within the EU

22) Given the accumulation of extraordinary revenues, generated by the reinvestment of the assets cash balances and respective taxes to Belgian, some critical MS officials claim that you could more transparent about your country's contribution to the Ukraine Facility and to service the ERA loan. What is your take?

France

- 23) What role played your state's involvement in Euroclear as a prime stakeholder in your overall positioning vis-à-vis the Reparations Loan / the €90 bn loan to Ukraine?
- 24) How big was the potential negative impact of the required guarantees for the Reparations Loan by France on your credit rating and sovereign debt costs?
- 25) Did remaining FDI/assets in Russia impact your positioning and if so, how?

#4 Bilateral Member State Embassies to Belgium

→ Foreign/Macro-economic Attachés and Relex Spokespeople

The 'Euroclear' Factor and Litigation Risks

- 26) In your assessment, did the fear of Russian retaliation (for instance, further seizure of European FDI/ assets in Russia) outweigh the potential benefits of the Commission's proposal of a 'Special Purpose Vehicle'?
- 27) How did BE frame the risk of capital flight and divestment from the Euro during bilat. Negotiations leading up to/during the EUCO summit in December?
- 28) How did you perceive the spec. legal and financial guarantees requested by Belgium that the Commission was 'unable' / 'unwilling' to provide in the Reparations Loan? What were other MS red lines?

Bilateral Pressure & Consensus-Building

- 29) Where there any coordinated efforts by Germany, the G7 or spec. MS to 'guide' Belgium towards accepting the Commission's Reparations Loan scheme?

Probes

- If there were, why did these efforts 'fail'?
- Were there any single MS vetoes about spec. side-payments, which would've been necessary to get the support from BE, or also HU, SK and CZ?
- How did the Belgian government / De Wever reconcile its role as host of Euroclear with the broader EU interest in regional security and the use of the headroom of the 2021/27 MFF, and potentially the future 2028/34 MFF?

#5 European Commission

EC's ideational entrepreneurship & Expectation building

→ DG ENEST (UA Service); DG ECFIN

- 30) **The Reparations Loan:** President von der Leyen's September 2025 set expectations to use the Russian assets. From an institutional perspective, was this proposal intended to close the EU's Capability-Expectation Gap towards its coercive action (i.e. to cover Ukraine's financing needs)?

Probes

- ...or was it rather a strategic 'probe' to test MS appetite?

- 31) **The Special Purpose Vehicle (SPV):** initially envisioned as a mechanism to centralise the asset's management and guarantee higher-yield returns, the SPV was ultimately abandoned. What led the Commission to pivot towards a Reparations Loan scheme?

Probes

- shortfalls were identified during the internal drafting process?

- 32) **External Expectations:** how did expectations from third-party actors (UA, G7, ...) shape the evolution of the Commission's proposal to fund future aid to Ukraine?

Probes

- von der Leyen letter to European governments mid-November 2025)

Internal (DGs) and external relations (Belgium and other Member States)

→ DG FISMA; DG BUDG; DG ECFIN

- 33) **Horizontal Incoherence** (FISMA vs. ECFIN): to what extent did concerns from DG FISMA/the ECB regarding Euro stability and litigation risks 'veto' the more assertive Reparations Loan proposals, favoured by the President and certain MS?

- 34) **Vertical Incoherence** (Commission vs. BE): in negotiations with BE (Cf. Euroclear), did the Commission view BE's opposition as a structural legal hurdle? that ultimately led to abandoning the Reparations Loan proposal?

Probes

- or rather a lack of 'political will'?

- 35) **Side-Payments & Trade-Offs:** how do you explain the shift towards common debt backed by the use of the MFF's headroom and the EU24?

Legal capabilities & Art. 122 TFEU

→ DG BUDG (MFF Unit)

- 36) **Pivot to Art. 122 TFEU:** Did you consider any viable alternatives to the Article's use to indefinitely immobilise the assets (a procedure that normally requires biannual unanimity) to circumvent potential vetoes?
- 37) **Enhanced Cooperation:** the decision to move forward with a coalition of 24 willing Member States' (EU24) represents a shift towards Differentiated Integration within CFSP. What realistic alternative pathways were considered and, according to your assessment, how viable were these?
- 38) **€90 bn Ukraine loan:** given the long-term impact on European taxpayers, what red lines, if there were any did the Commission draw when negotiating with BE about the use of the immobilised assets as guarantees for the Reparations loan?

Annex 4

Address of the interviewee

Address of the interviewer



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Research Confidentiality & Ethics Agreement

General information

Project Title (M.Sc. thesis): *'United in willingness? The enhanced cooperation turn of the EU's Ukraine funding crisis*

Researcher: Christian M. Bissinger, M.Sc. Candidate, Lund University / Sweden.

Participant

Name and position:

Institutional affiliation / unit and years of employment there within:

Purpose of the Research

The purpose of this interview is to gather primary data for a Master's Thesis in European Affairs at Lund University. The focus is on the strategic national and institutional rationales behind the European Council decision of December 18, 2025, regarding the €90 bn Ukraine loan.

Confidentiality and Anonymization

In accordance with the **Swedish Public Access to Information and Secrecy Act (SFS 2009: 400, Chapter 24, Section 8)**, which protects data collected for research purposes:

- **Anonymity:** The Participant's name, position and unit affiliation will be removed from the final thesis. References will be made using generic identifiers (for instance, "Senior Council Official").
- **Attribution:** No "direct quotes" will be attributed to the Participant unless explicit written consent is provided for a specific statement.
- **Raw Data:** Interview notes or recordings (if permitted) will be stored on encrypted drives and will not be shared with third parties.

Right of Review (Accuracy Check)

To ensure the technical accuracy of the complex institutional dynamics discussed:

- The Researcher agrees to provide the Participant with the specific sections of the draft thesis where their insights are utilised.
- The Participant shall have **10 working days** to review the context of their contributions to ensure that technical details or sensitive "red lines" are represented accurately and that the promised level of anonymity is maintained.

Voluntary Participation and Withdrawal

Participation is entirely voluntary. The Participant may decline to answer any specific question or terminate the interview at any time.

Ethical Standards

This study adheres to the **Swedish Ethical Review Authority (*Etikprövningsmyndigheten*)** guidelines and the **ALLEA European Code of Conduct for Research Integrity**. Data processing complies with the **EU General Data Protection Regulation (GDPR)**.

Signatures

Researcher: _____ **Date:** _____

Christian M. Bissinger, Lund University

Participant: _____ **Date:** _____

[Name/Title]

Annex 5

MECHANISM	CORE-THEME	SUB-THEME	CODE
PDM	Domestic material interests	Inbound FDI exposure	PDM-1.1
		Sovereign debt concerns	PDM-1.2
		Institutional host risk (Euroclear)	PDM-1.3
		Outbound (remaining) FDI / BIT	PDM-1.4
	Geopolitical vs. fiscal trade-offs	Moral-geopolitical urgency	PDM-2.1
		Fiscal risk aversion	PDM-2.2
		Retaliation fears	PDM-2.3
	Coalition clusters	Drivers	PDM-3.1
		Brakemen	PDM-3.2
		Conditional Drivers	PDM-3.3
PTBM	Bargaining dynamics	Maximalist demands / Burden-sharing	PTBM-1.1
		Coalition formation	PTBM-1.2
		Concessions	PTBM-1.3
		Veto threats	PTBM-1.4
	Asymmetrical interdependence	BE's leverage as Euroclear host	PTBM-2.1
		European (defence industrial)	PTBM-2.2
		Small state influence	PTBM-2.3
LIRM	Legal obstacles	Unanimity requirement	LIRM-1.1
		BIT constraints	LIRM-1.2
		ECB mandate limits	LIRM-1.3
		Euroclear risks	LIRM-1.4
	Institutional workarounds	Enhanced Cooperation (Art. 20 TEU)	LIRM-2.1
		Crisis Article (Art. 122 TFEU)	LIRM-2.2
		MFF Headroom	LIRM-2.3
		Contingent liability	LIRM-2.4
	Decision-making procedures	EUCO deliberations	LIRM-3.1
		CR II preparations	LIRM-3.2
		FICO technical input	LIRM-3.3
	EC as Ideational Entrepreneur	Proposal adaptations	LIRM-4.1
		Stakeholder consultations	LIRM-4.2
CEG	Expectations	"Make the aggressor pay" narrative	CEG-1.1
		No taxpayer burden	CEG-1.2
	Capabilities	Legal constraints	CEG-2.1
		Financial constraints	CEG-2.2
	Gap manifestation	Rhetoric vs. reality	CEG-3.1
		Consensus failure	CEG-3.2
	Gap resolution	Expectation lowering	CEG-4.1
		Capability enhancement	CEG-4.2
		Compromise solution	CEG-4.3

Annex 6

Document Type	Institution/ Outlet	Authors	Title (date of publication)	One-Sentence Summary	Coding Schemes
Speech	European Commission	von der Leyen. U.	<u>2025 State of the Union Address</u> (10.09.2025)	VdL first floats RL idea , framing it as "Russia should pay" and proposing a Reparations Loan backed by CBR asset cash balances.	PDM-2.1; 3.1 PTBM-1.1 CEG-1.1, 1.2, 4.3
Op-Ed	Financial Times	Merz. F.	<u>A New Financial Impetus for Peace in Ukraine</u> (25.09.2025)	Merz publicly endorses RL , proposing a €140bn interest-free loan repaid only if Russia pays reparations, while cautioning against confiscation.	PDM-2.1, 3.1 PTBM-2.2 LIRM-1.2 CEG-1.1, 4.2
Press release	(informal) European Council	European Council	<u>Informal meeting of heads of state or government, Copenhagen, 1 October 2025</u> (01.10.2025)	One-day summit for, amongst others, (initial) discussions on the continuation of sanctions against Russia and how to mobilise further funds for UA	PDM-2.1 PTBM-1.2 CEG-4.3
Summit Conclusions	European Council	European Council	<u>European Council Meeting Conclusions on Ukraine</u> (23.10.2025)	EUCO fails to agree on RL ; 26 MS support text; asks EC to explore options ; will revert at next meeting. Confirms EUR 177.5bn in support for Ukraine.	PDM-3.2 PTBM-1.2, 1.3 CEG-1.1, 3.2 LIRM-3.1
Policy Proposal	European Commission	von der Leyen. U.	<u>Options letter for Financial Support to Ukraine to European Governments</u> (17.11.2025)	EC outlines three options (bilat. grants, RL, LRL) for Ukraine financing, emphasizing urgency, debt sustainability, and burden-sharing with international partners.	LIRM-2.1 – 2.3, 4.1, 4.2 CEG-2.2, 4.1 – 4.3
Official Letter	Belgian Government	De Wever. B.	<u>Letter to Ursula von der Leyen</u> (27.11.2025)	De Wever rejects RL , demanding unlimited, joint-and-several guarantees from all MSs, citing legal/financial risks (Euroclear, BITs, euro stability).	PDM-1.2 – 1.4, 2.2, 2.3, 3.2 PTBM-1.1 – 1.4, 2.2 LIRM-1.1, 1.2, 1.4
Legislative Proposal	European Commission	European Commission	<u>Proposal for a Regulation establishing the Reparations Loan to Ukraine and amending Regulation (EU) 2024/792</u> (03.12.2025)	Proposes €210 bn RL repaid by Russian reparations; financed by cash balances from immobilised CBR assets . Details legal/institutional structure.	LIRM-1.1, 1.4, 2.1, 2.2 CEG-1.1, 2.1, 4.2
Legislative Proposal	European Commission	European Commission	<u>Proposal for a Council Regulation on amending Council Regulation 2020/2093 laying down the MFF for the years 2021-</u>	Amends MFF to extend budgetary guarantee to cover Ukraine Support Loan; uses MFF headroom (Art.	PTBM-1.3 LIRM-1.1, 2.3, 2.4

Document Type	Institution/ Outlet	Authors	Title (date of publication)	One-Sentence Summary	Coding Schemes
			<u>2027</u> (03.12.2025)	312 TFEU) to mobilise resources above ceilings.	
Summit Conclusions	European Council	European Council	<u>European Council Meeting Conclusions on Ukraine</u> (18.12.2025)	EUCO agrees on €90bn LRL backed by MFF headroom and Enhanced Cooperation, with work on RL to continue; H/SK/CZ exempted.	LIRM-2.1 – 2.3 CEG-4.3
Media Article	Financial Times	Dubois. L. et al.	<u>EU Leaders Stall €140bn Ukraine Loan Using Frozen Russian Assets</u> (23.10.2025)	EU leaders fail to back RL due to BE's demands for 'cast-iron guarantees'; 26 MSs ask EC to explore options.	PDM-1.3, 2.2, 2.3, 3.2 PTBM-1.1, 1.4 LIRM-4.2
Media Article	Financial Times	Dubois. L.	<u>How Belgium's Premier Scuppered Ukraine's €140bn EU Loan, for Now</u> (24.10.2025)	De Wever's intransigence on risk-sharing stalls RL; EU asks EC to explore alternatives, including non-asset-based options.	PDM-3.2 PTBM-1.1 LIRM-4.1 CEG-3.2
Analysis	Carnegie Endowment	Kolyandr. A.	<u>Has the EU Found a Way to Use Frozen Russian Assets to Help Ukraine?</u> (21.10.2025)	Analyses idea of RL and Belgian resistance ; highlights legal/financial risks (Euroclear, BIT, retaliation); calls RL "confiscation in disguise."	PDM-1.3, 1.4, 2.3 PTBM-1.4, 2.1 LIRM-1.2, 1.4 CEG-3.1
Media Article	Financial Times	Tamma. P., Dubois. L.	<u>EU Warns of Costs if No Deal Is Agreed to Use Frozen Russian Assets for Ukraine</u> (17.11.2025)	EC warns MSs may need bilateral grants or joint debt if RL fails; outlines three options and Ukraine's €135.7bn financing gap.	PTBM-1.3 LIRM-1.2 LIRM-4.1, 4.2 CEG-4.1
Media Article	Financial Times	Moen. B., Dubois. L.	<u>EU's Frozen-Assets Loan Plan Risks Rattling Markets, Euroclear Warns</u> (27.11.2025)	Euroclear warns RL could be perceived as confiscation , risking market instability, higher borrowing costs, and erosion of trust in EU financial systems.	PDM-1.3, 2.2 PTDM-1.1 LIRM-1.4 CEG-2.1
Media Article	Luxembourg Times	Haneyl. J.	<u>ECB refuses to provide backstop for €140bn Ukraine loan</u> (02.12.2025)	The ECB rejected backing the €140bn reparations loan, citing treaty violations (monetary financing) , forcing the EC to seek alternative liquidity solutions amid Euroclear risks and Belgian objections.	PDM-1.3 PTBM-1.1 LIRM-1.3, 1.4, 4.1 CEG-2.1
Media Article	Financial Times	Tamma. P., Dubois, L.	<u>Brussels Floats 'Emergency' Powers to Raise €210bn from Russian Assets</u> (03.12.2025)	EC proposes Art. 122 TFEU to indefinitely immobilize assets, addressing BE's concerns but raising legal questions about bypassing unanimity.	PDM-2.2 PTBM-2.4 LIRM-1.1, 2.2, 4.1
Analysis	Verfassungs-blog	van Elsuwege. P.	<u>Walking a Tightrope: On the Legal Stakes of the EU's Proposed Reparations Loan for</u>	Legal analysis of RL risks: BIT claims, Russian countermeasures ,	PDM-1.3, 2.3 LIRM-1.1, 1.2

Document Type	Institution/ Outlet	Authors	Title (date of publication)	One-Sentence Summary	Coding Schemes
			<u>Ukraine</u> (08.12.2025)	Euroclear exposure , trust in euro as reserve currency.	, 1.4 CEG-3.1
Media Article	Financial Times	Dubois. L., White. S.	<u>France Shielding €18bn Russian Asset Pot from EU 'Reparations Loan' Push</u> (08.12.2025)	FR resists including its €18bn in frozen assets (held by commercial banks) in RL due to confidentiality and contractual obligations.	PDM-1.4 PTBM-1.1, 2.2 LIRM-1.2
Media Article	Financial Times	Dubois. L.	<u>Euroclear Put on Notice About Possible Rating Downgrade</u> (17.12.2025)	Fitch places Euroclear on negative watch due to liquidity/legal risks from RL, echoing BE's concerns about financial stability.	PDM-1.3 LIRM-1.4 CEG-2.1
Analysis	Swedish Institute for European Policy Studies (SIEPS)	Kreilinger. V.	<u>Article 122 TFEU: The legal workaround to freeze Russian assets and possible repercussions</u> (12.2025)	The use of Art. 122 TFEU as a way forward to circumvent the unanimity requirement , the associated legal challenges and potential repercussions are outlined.	PDM-1.1 - 1.3, 2.1 - 2.2 PTBM-2.1 - 2.2, 2.4 LIRM-1.1, 2.2, 3.1, 3.2 CEG-1.1, 1.2, 2.1, 3.1, 3.2, 4.1- 4.3
Media Article	Financial Times	Seddon. M. et al.	<u>Putin's Retaliation Threat Over Frozen Assets Rattles EU Capitals</u> (18.12.2025)	Russia threatens "harshest" retaliation if assets are used, alarming BE, IT, AT over legal/financial risks and potential seizures of Western assets.	PDM-1.4, 2.3, 3.1 PTBM-1.1, 1.2 CEG-2.1
Media Article	Financial Times	Foy. H. et al.	<u>How Friedrich Merz's EU Summit Plan on Frozen Russian Assets Backfired</u> (19.12.2025)	RL collapses due to complexity and BE's demands; leaders pivot to MFF-backed LRL with exemptions for H/SK/CZ.	PDM-2.2, 2.3, 3.2 PTBM-1.1 LIRM-2.1, 2.3 CEG-4.3
Media Article	Politico	Sheftalovich. Z.	<u>How Belgium's Bart De Wever Beat the EU Machine</u> (19.12.2025)	De Wever's maximalist stance forces EU to abandon RL, securing exemptions and MFF-backed LRL as a compromise.	PDM-1.2 PTBM-1.1, 1.2, 1.4, 2.1; 2.3 LIRM-2.3, 4.2 CEG-4.3