

UKRAINE: FROM WAR TO PEACE AND RECOVERY

Analytical Assessments
December 2025



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I.

NATIONAL SECURITY AND DEFENCE: KEY DEVELOPMENTS, PROCESSES, TRENDS

The abnormally high intensity of offensive operations by Russian forces in December 2025 – unusual for the winter period – did not fundamentally change the strategic situation in the theatre of war. The key driver sustaining operational momentum on the Russian side was evidently the need to support Putin's narrative of an unstoppable and victorious Russian advance as an argument underpinning Russia's negotiating position.

By the end of the month, substantial progress had been achieved in aligning positions between representatives of US President Donald Trump, official Kyiv and European leaders on most provisions contained in the draft framework of a potential peace deal. At the same time, despite the absence of an official reaction from the Kremlin, Putin and his officials not only issued a number of statements signalling their intentions to continue the war but also resorted to provocations and accusations against Ukraine aimed at derailing the negotiation process.

COMBAT ACTION

The average daily number of engagements in December remained at the level observed during the summer months, although it declined slightly compared to November (178 vs 200), when the [highest intensity of hostilities in 2025](#) was recorded. For the Russian military command, political imperatives apparently outweighed seasonal factors unfavourable to intensive ground operations. At the same time, weather-related limitations affecting the use of reconnaissance and strike drones by Ukrainians indirectly facilitated the dominant Russian tactic of infiltration by small infantry groups, combined with occasional assault attempts involving dozens of pieces of equipment.

The [pace of Russian advance](#) slowed somewhat in December compared with the previous month (445 km² vs 505 km²). At the

same time, [average daily Russian losses](#) increased to 1,130 personnel, compared with 1,030 in November, continuing the upward trend in occupier casualties observed over the past four months. Despite unfavourable conditions for UAV deployment, the Armed Forces of Ukraine's [Unmanned Systems Forces struck](#) 33,000 Russian personnel in December – a figure roughly equivalent to the average monthly replenishment rate of the Russian army.

The Zaporizhzhia direction emerged as the most vulnerable sector of Ukrainian defences. Since the beginning of December, Russian forces, using small infantry groups, have managed to seize more than [210 km²](#). Ukraine lost control of the strategically important town of Huliaipole, which, although not fully controlled by Russians, has effectively entered a «grey zone». The main reason for the retreat is considered to be a [«catastrophic shortage of personnel»](#), especially in sectors where undermanned and under-equipped Territorial Defence brigades are facing numerically superior enemy forces and are compelled to hold positions for months without rotation or reinforcement.

Overall, by the end of 2025, certain trends had emerged that are likely to shape the further course of hostilities and to exert a significant influence on the timing and format of the conclusion of the current stage of the Russia-Ukraine war. Despite the enemy's constant tactical advances, the armed confrontation has for a long time retained the characteristics of positional war of attrition, effectively ruling out a decisive military victory or defeat as a realistic scenario for ending the active phase of hostilities.

At the same time, neither the degree of military, economic and socio-political exhaustion nor the weight of external «peacekeeping» intervention, as of the end of 2025, has altered Putin's calculus in favour of

ending the war through compromise. Against the backdrop of their inability to achieve an operational-strategic breakthrough at the front, russian forces intensified the scale of terror against the civilian population, increasing the number of missile and drone strikes against Ukraine's energy system and other critical infrastructure facilities.

PEACE PROCESS

Throughout December, the [new phase of negotiation process](#), which began in early November 2025 with pressure from the Trump administration on Ukraine to accept russian ultimatums, evolved into provisions that were more or less acceptable to Ukraine and supported by key European partners. Of the [original 28 points](#) contained in the draft agreement, those clearly written by the russians were removed, while the remaining provisions were reworded and supplemented to reach a mutually acceptable compromise. The key unresolved issues of a potential peace deal concern territory, in particular the Ukraine-controlled part of Donetsk oblast, and control over the [Zaporizhzhia Nuclear Power Plant](#).

However, the revised draft agreement represents a product of joint efforts by representatives of the United States, Ukraine, and Europe. As of the end of December, no official response had been received from the russian side. It is, nevertheless, entirely predictable that the updated peace plan will not be accepted by the kremlin, as putin and his entourage have repeatedly confirmed their intention to [«continue fulfilling the objectives of the special military operation \(SVO\) in accordance with the plans and intentions»](#).

It is evident that any shift in the kremlin's strategic calculations will depend primarily on the position of the Trump administration, but also to a considerable extent on Ukraine's ability to resist russian aggression and the level of comprehensive support provided by its partners.

UKRAINIAN GOVERNMENT'S POLICY DECISIONS AND ACTIONS IN THE DEFENCE SECTOR

On 4 December, the Verkhovna Rada adopted two draft laws (Nos. [14169](#) and [14170](#)) providing for simplified customs procedures, as well as tax and customs exemptions for

the import of defence-related goods. These measures apply, inter alia, to components for UAVs, mechanised demining equipment, electronic warfare and counter-intelligence systems, products for the modernisation and repair of weaponry, and training simulators for military training centres and ranges.

On 5 December, the Cabinet approved a draft law developed by the Ministry of Defence introducing [motivational contracts](#). This initiative is aimed at increasing personnel motivation, creating a stable and effective recruitment system, reducing dependence on mobilisation measures, and enhancing the level of social protection for service personnel. The draft provides, in particular, for more flexible contract terms during the special period (1 to 5 years) and introduces a 12-month deferment from conscription following discharge from military service (with the exception of one-year contracts). This measure is intended to provide military personnel with sufficient time for rest, recovery and medical and social rehabilitation.

FOREIGN EVENTS (EXTERNAL FACTORS)

European politicians, as well as representatives of defence agencies and intelligence services, are increasingly speaking about the [possibility of war with russia](#) and the need to prepare citizens in advance for the worst-case scenario. According to [opinion polls](#), there are significant differences in how European societies perceive the russian threat, which evidently influences government policies on supporting Ukraine, implementing measures to deter russia and strengthening national defences. 77% of Poles and only 34% of Italians consider the risk of war with Russia to be high, but Europeans are almost unanimous (ranging from 51% to 85%) in their assessments of their respective countries' (in)ability to counter the russian threat.

On 16 December, another [meeting of the Ukraine Defence Contact Group](#) in the Ramstein format was held online. Following the meeting, participants announced new defence aid packages for Ukraine for 2026-2027 and reaffirmed previously undertaken commitments. Former Ukrainian Defence Minister Denys Shmyhal [noted](#) that 2025 was a record year in terms of the volume of assistance (\$45 billion). According to his

estimates, total defence requirements for 2026 amount to \$120 billion, of which Ukraine can finance only around half from domestic resources.

RUSSIA

During his [address to the expanded board of the Ministry of Defence](#) on 16 December, the russian president expressed satisfaction with the military results achieved in 2025, acknowledged the participation of «North Korean comrades-in-arms ... in the liberation of Kursk region», declared the possibility of increasing the pace of the offensive, and assured that the objectives of the so-called SVO would be achieved.

Such statements by the russian leader indicate both a firm intention to obstruct the peace process and a distorted perception of reality on the theatre of war and the prospects for a decisive military victory. One illustrative – though not unique – example is the «[Kupiansk case](#)». As early as October 2025, putin was [informed](#) by his generals that Kupiansk had been captured and that fifteen Ukrainian battalions had been encircled. In reality, it was [russian assault units](#) that found themselves effectively blocked within the city.

From the standpoint of potential information manipulation, particularly noteworthy was the russian claim of a drone attack on putin's residence on 29 December, which [he personally reported to Donald Trump](#) during a telephone conversation. The alleged «[attack](#)» [has found no objective confirmation](#) and most likely formed part of a campaign aimed either at derailing negotiations or at justifying planned [retaliatory air strikes](#) against Kyiv. It cannot be ruled out that this information-psychological operation was initiated by elements within the russian security apparatus itself, with putin merely voicing information presented to him in «[filtered folders](#)» and

potentially designed to influence his own perceptions.

The problem of the «[information cocoon](#)» surrounding putin – whether constructed by himself or by his entourage – is acknowledged even within the russian Z-community. Certain «war bloggers» have allowed themselves relatively critical comments, given the level of censorship and repression in russia, regarding discrepancies between putin's assessments and the real situation at the front. At the same time, there are currently [no grounds](#) to assert the presence of anti-war, let alone anti-putin, sentiments among the broader russian population.

An analysis of the most important events, political statements and decisions leads to the following conclusions:

✓ The russians' persistence in sustaining an exceptionally high intensity of hostilities, despite adverse weather conditions and signs of diminishing offensive potential, is driven primarily by foreign policy considerations and by the peculiarities of russian military culture, including the practice of reporting premature successes.

✓ The positional character of hostilities and the gradual exhaustion of both warring parties, as observed by the end of 2025, are likely to determine the further course of operations and to exert a significant influence on the timing and format of the eventual conclusion of the russia-Ukraine war.

✓ By the end of December, significant progress had been made in aligning positions between the United States, Ukraine and Europe regarding a potential peace plan. Its future trajectory will depend on the willingness and ability of Western partners to persuade putin of the expediency of ending the war, as well as on Ukraine's ability to show resilience both on the battlefield and on the home front.

II. FOREIGN POLICY

The events and processes of December broadly reflect the regional and global trends of 2025, pointing to rapid and fundamental changes in the geopolitical and economic landscape. Among the main trends are the protracted war in Ukraine and the uncertainty surrounding the peace negotiation process, driven by Russia's neo-imperial aggressive policy, which has been accompanied by an expanding hybrid intervention on the European continent. Significant changes have also occurred in the US position on the global stage, adding volatility to the world economy and complicating Washington's relations with partner countries. Confrontation among leading global powers has persisted against the backdrop of a renewed wave of militarisation and dangerous polarisation of the international community. Developments in December and throughout 2025 indicate both the existence of opportunities and escalating threats for Ukraine and its foreign policy position.

INTERNATIONAL PROCESSES AND EVENTS

Negotiations on ending the war in Ukraine.

The December phase of the peace talks was characterised by highly intensive consultations conducted in various formats and at different levels. Overall, American moderation of this process was marked, on the one hand, by inconsistency and unpredictability, reflecting the personalised nature of Donald Trump's political style, and on the other hand, by increased pressure on Ukraine and demands for concessions from Kyiv. The earlier Russian-American 28-point «[peace plan](#)» contained conditions amounting to de facto capitulation and was unacceptable to Kyiv. Moreover, the American side sought, in an ultimatum-like manner, [to compel Ukraine](#) to endorse the document, resorting to threats and unfounded accusations of obstructing the peace process.

Subsequently, following consultations between Kyiv, Washington and European partners in both bilateral and multilateral formats (Berlin and Miami), this plan was transformed into a 20-point framework document, the [draft](#) of which was made public by President Zelenskyy on 24 December. In essence, this represents a broader package of documents, including

a framework peace plan, security guarantees Ukraine Kyiv from the United States and European countries, and a plan for Ukraine's economic recovery.

On 28 December, another [meeting between the leaders of the United States and Ukraine](#) took place in Florida, demonstrating progress in certain areas, including agreement in principle on American security guarantees for Ukraine and on the overall architecture of its economic recovery plan. Among the positive factors was the fact that Ukraine and its European allies presented consolidated and coordinated position. At the same time, the US President formed a new, more balanced composition of the American negotiating team, which, in addition to Steven Witkoff and Jared Kushner, included Secretary of State Marco Rubio, Secretary of Defence Pete Hegseth, and General Jack Keane S, among others.

However, this meeting did not [produce a breakthrough](#) in negotiations, leaving key issues unresolved, notably territorial questions relating to Donbas and the status of the Zaporizhzhya NPP. The December negotiations on ending the war in Ukraine should therefore be viewed as another stage in a long diplomatic process, which, regrettably, has not led to a cessation of hostilities and continues to reflect the uncertain prospects for a peaceful settlement, given the aggressive and uncompromising stance of the occupying state, which remains committed to continuing the war. This was confirmed by the dissemination by the Russian authorities on 29 December of yet another fabricated claim alleging a Ukrainian drone «[attack](#)» on Putin's residence in Novgorod oblast, used as a pretext for obstructing the negotiations.

In effect, the nature and dynamics of the multilateral negotiations are largely determined by the contest between Ukraine and its European allies, on the one hand, and the Russian imperial project, on the other, to influence the position of the American president.

Russia's hybrid intervention in Europe.

In December, the large-scale Russian hybrid aggression across the EU territory, noted in previous monitoring reports,

continued. Throughout the month, numerous instances were recorded of unidentified UAVs entering the airspace of several European countries. In particular, French law enforcement authorities launched an investigation into the appearance of drones over a nuclear submarine base. The Swedish Navy reported increased activity by Russian submarines and military aircraft in the Baltic Sea. In Germany, a series of provocations targeted F-16 pilots near the US air base at Spangdahlem. Since the beginning of the year, Germany's Federal Criminal Police Office has [registered](#) more than 1,000 suspicious drone flights. On 18 December, a group of Russian border guards crossed into Estonian territory. On 26 December, subsea telecommunications infrastructure in the Gulf of Finland [was damaged](#). Vilnius Airport was once again closed following the detection of meteorological balloons used for smuggling. In response, President of Lithuania Gitanas Nausėda stated that his country could consider suspending transit to Kaliningrad. The Russian dictator, in turn, [threatened](#) a «large-scale armed conflict».

Significant attention was drawn to an [operation by Russian intelligence services](#) involving intimidation and blackmail targeting Belgian politicians and the leadership of Euroclear, the securities depository holding the majority of frozen Russian assets. More broadly, the European Union is facing an expanding pattern of Russian hybrid intervention, including cyber-attacks, sabotage, information operations, violations of airspace, and acts of vandalism against diplomatic premises of EU member states.

The Supreme Allied Commander Europe, General Alexus Grynkewich, [stated](#) that NATO must be prepared to respond to escalating hybrid threats in order to protect the territory of its member states.

The US factor on the global stage. In December, the trends outlined in previous monitoring reports continued: Donald Trump's American-centric and highly personalised foreign policy contributed to instability in the global economy and complicated relations with partner states. The course towards commercialisation of US foreign policy and a recalibration of geopolitical priorities was formally articulated in the new [US National Security Strategy](#), published in early December 2025. The document [states](#) that «the United States will prioritise commercial diplomacy to strengthen our own economy and industries,

using tariffs and reciprocal trade agreements as powerful tools». At the same time, US foreign policy interests are framed as focusing primarily on restoring American primacy in the Western Hemisphere and reinforcing its position in the Indo-Pacific region. The document rejects what it describes as the «misguided concept of global dominance», [proclaims](#) the «sovereignty of nations» and non-interference in the internal affairs of other states. Overall, the Strategy signals a distancing of Washington from European affairs, contains a critical assessment of the European Union and the broader state of democracy in Europe, raises the possibility of a reduction in euro-atlantic solidarity within NATO, and rejects further enlargement of the Alliance. It also emphasises the objective of «restoring strategic stability with Russia».

European leaders' [reaction](#) to this document was fairly restrained and sceptical, whereas political circles in Russia responded with [evident optimism](#).

At the same time, the United States' position on the global stage continues to be shaped by complex domestic processes. The overall results of 2025 point to the ambiguous outcomes of the new US foreign policy course and to the accumulation of internal political and socio-economic challenges. According to a December Fox News poll, 72% of US citizens assess the economic situation negatively, 58% believe that Donald Trump is focused on issues remote from their interests, and 59% are dissatisfied with the direction in which the country is heading. Overall, 44% approve of the President's performance, while 56% disapprove. These trends evidently prompted Donald Trump to deliver a national address on 17 December, in which he once again attributed current difficulties to the policies of Joe Biden. Observers have [noted](#) a distinctly pre-electoral tone to the speech in light of the approaching midterm congressional elections.

Rising global conflict and intensifying militarisation. In December and throughout 2025, trends of growing economic and military confrontation among states were observed across multiple regions. A particularly [acute dispute](#) escalated over alleged violations of EU rules governing online content. The conflict drew in the US Federal Communications Commission. Donald Trump publicly criticised the European Union, and the US Department of State imposed sanctions on a number of European officials. At the same time, trade

tensions between Brussels and Beijing intensified once again. China introduced [temporary restrictions](#) on certain European goods in response to EU tariffs on Chinese electric vehicles. In parallel, China [announced](#) a sanctions package targeting 20 US defence companies, including Boeing, in response to record US military assistance to Taiwan amounting to \$11.1 billion.

In December, the United States also [adopted](#) a series of political and military measures against Venezuela. Trump designated the regime of Nicolás Maduro as «terrorist» and reinforced US military presence in the Caribbean. Sanctions were imposed on individuals within Maduro's inner circle, and a blockade targeting Venezuelan oil tankers was introduced. Looking ahead, the military operation carried out in early January 2026 to apprehend the President of Venezuela and transfer him to the United States to face charges of «narco-terrorism» provoked mixed international reactions and is likely to have far-reaching geopolitical consequences.

At the end of December, the Pentagon announced the launch of [operation «Hawk Strike»](#) in Syria, aimed at destroying ISIS militants, infrastructure and weapon stockpiles in response to an attack on US forces in Palmyra.

More broadly, a concerning global trend is emerging of rising defence budgets, expanding military arsenals and testing of new weapons systems. In December, Trump signed into [law](#) a record US defence budget for 2026 amounting to \$901 billion. He also announced the launch of a naval modernisation programme titled the «Golden Fleet». China has planned a 7% increase in its military budget for 2026 and continues implementing a large-scale modernisation programme of its missile and nuclear forces, including silo-based DF-31 intercontinental ballistic missiles. In response to Russian aggression, the European Union has launched several long-term defence initiatives, including the European Defence Industry Programme (EDIP) and the SAFE project. The Government of Japan approved a record defence budget of \$58 billion for 2026. Meanwhile, Russia's [planned spending](#) on the armed forces and security structures in 2026 is projected to reach \$217 billion – approximately 40% of the federal budget. These examples illustrate a broader and potentially destabilising trend of global militarisation that intensified throughout 2025 and is likely to continue in 2026.

FOREIGN POLICY ACTIVITIES OF UKRAINIAN GOVERNMENT

In general terms, the principal priorities of Ukraine's national diplomacy in December remained unchanged – consolidating international solidarity and assistance in resisting Russian aggression and defending and advancing national interests within the peace negotiation process. On 22 December 2025, in an address marking Diplomatic Service Day, the President of Ukraine outlined the key objectives as bringing the war to an end «with a dignified peace»; ensuring continued weapons supplies, financial and political support; advancing national recovery; and obtaining reliable, legally binding security guarantees.

Political dialogue with foreign partners.

The principal focus of Ukrainian diplomacy remained the negotiation process to end the war in Ukraine, in particular, consultations with American and European partners in bilateral and multilateral formats. In December, as in previous months, Ukraine maintained a traditionally high intensity of international engagement at various levels. Overall, in 2025 Ukrainian high-level delegations conducted [59 visits](#) to 25 countries. Kyiv received 99 foreign heads of state, government and parliament, as well as representatives of international organisations. The President of Ukraine held more than 230 telephone conversations with foreign leaders. Active interparliamentary engagement also continued throughout the year, alongside numerous meetings, consultations and negotiations at governmental level. The Ukrainian side participated in international forums under the auspices of the United Nations, the Council of Europe, the OSCE, the European Union and NATO.

The following are among the important international contacts in December. On 1 December, during the Ukrainian delegation's visit to Paris, online negotiations were held with the leaders of Germany, Poland, Italy, Finland, the Netherlands, Denmark, Norway, as well as with the leadership of the EU and NATO. The following day, the President of Ukraine paid a visit to Ireland, during which a partnership roadmap was agreed and the first Ukrainian-Irish Economic Forum was convened.

The visit to Kyiv on 4 December by the President of Cyprus, Nicos Christodoulides, was of particular importance, given that Cyprus will hold the EU presidency in the first half of 2026, when technical accession

negotiations with Ukraine are expected to begin. Subsequently, on 8-10 December, a high-level Ukrainian delegation [visited](#) Rome, London and Brussels with the aim of securing continued political, military and financial support and coordinating common positions in the negotiation process with the American side. On 11 December, a [meeting of the Coalition of the Willing](#) was held with Ukraine's participation, bringing together leaders of 35 countries. The geography of foreign visits by the Ukrainian leadership was further expanded by rounds of negotiations in Germany and the Netherlands, focused on security issues and the development of economic partnership. Strategically significant was the President's participation in the meeting of the European Council on 18 December, where issues of further financial support for Ukraine and the prospects of Kyiv's European integration were addressed.

The meeting between the [Ukrainian and Polish presidents](#) on 19 December in Warsaw deserves special mention. These were the first full-scale negotiations between Volodymyr Zelenskyy and Karol Nawrocki, during which a number of problematic issues in bilateral relations were addressed or minimised, the overall atmosphere of interstate dialogue improved, and the prolonged pause in high-level contacts was effectively overcome. The visit of the Prime Minister of Portugal, Luís Montenegro, to Kyiv on 20 December also yielded practical results. The parties signed a [Joint Statement](#) launching a partnership in the production of maritime unmanned systems.

In summary, the distinctive features of Ukraine's December dialogue with foreign partners included intensive engagement with the American side within the framework of the negotiation process; a series of multilateral consultations with leaders of EU member states; and regular consultations with the leadership of the European Union and NATO.

Promotion of Ukrainian interests and initiatives globally. In outlining this dimension of Ukraine's foreign policy activity in December, attention should be drawn to the following achievements.

First. On the initiative of Ukraine and its allies, the UN General Assembly adopted [three important pro-Ukrainian resolutions](#). On 3 December, 91 countries supported the resolution «Return of Ukrainian Children», which became the first document in UN

history addressing children abducted and deported by another state. On 11 December, the UN General Assembly adopted the resolution «Strengthening international cooperation and coordination of efforts to study, mitigate and minimise the consequences of the Chernobyl disaster» (97 votes in favour). On 18 December, 79 countries voted in favour of the UN resolution «Situation with human rights in the temporarily occupied territories of Ukraine, including the Autonomous Republic of Crimea and the city of Sevastopol», which clearly condemns Russian aggression against Ukraine, reaffirms the sovereignty and territorial integrity of Ukraine, and demands that Russia immediately cease its aggression.

Second. An important step was taken towards securing compensation for damage caused to Ukraine by Russian aggression. On 16 December, during a high-level diplomatic conference in The Hague, the Ukrainian Foreign Minister signed the [Convention establishing the International Compensation Commission](#), to which more than 35 countries are expected to accede. The Convention establishes the Compensation Commission as an independent international body under the Council of Europe, mandated to examine claims for compensation for damage, loss and injury resulting from Russian aggression.

Third. Several important steps were taken to strengthen Ukraine's defence capabilities. These included the signing by the Ministers of Defence of Ukraine and the Netherlands of an agreement on the joint production of drones on the territory of both states; the launch of the [first EU grant programme](#), Brave1 – EU4UA Defence Tech, aimed at supporting Ukrainian defence innovations; the establishment in Germany of production facilities for strike unmanned aerial vehicles involving the Ukrainian and German defence companies Frontline Robotics and Quantum Systems; and the above-mentioned agreements between Ukraine and Portugal on the production of maritime drones.

International solidarity and assistance to Ukraine in countering Russian aggression. In December, during the 32nd meeting of the Ramstein Group, allied countries announced the provision of long-term military and financial support for Ukraine. Overall, assistance from 24 states participating in the PURL programme since August 2025 has amounted to \$4.3 billion, and [eight military aid packages](#) for Kyiv have been formed. At the NATO ministerial meeting, NATO Secretary General



Mark Rutte stated that arms procurement for the Armed Forces of Ukraine in 2026 would amount to \$12 billion. Throughout December, allied countries, including Germany, the Netherlands, the United Kingdom, Poland, Portugal, the Nordic states and the Baltic countries, and other European partners, announced further military aid packages for Ukraine.

At the same time, a number of countries contributed to direct budgetary support for Ukraine and made additional contributions to the Ukraine Energy Support Fund. The World Bank allocated more than \$125 million to the education and healthcare sectors, while the European Investment Bank provided €74 million to improve transport connectivity and enhance energy efficiency.

UKRAINE'S STEPS TOWARDS THE EU

The principal development of December – and arguably of 2025 as a whole – in the field of European integration was the launch of technical negotiations on Ukraine's accession to the European Union. This decision was taken at the informal meeting of the EU General Affairs Council in Lviv on 11 December. The process concerns the [activation of «front-loading»](#) – a technical mechanism allowing preparations to be made for the closure of negotiation chapters before Hungary's veto is lifted. The EU has communicated its negotiation positions on three clusters (Nos. 1, 2 and 6), forming the basis for technical negotiations. In this context, it is important that the [programme of the Cyprus' EU Presidency \(first half of 2026\)](#) identifies resolute support for Ukraine and the advancement of EU enlargement as key priorities.

Subsequently, the Ukrainian government approved the remaining two negotiation positions with the European Union, thereby enabling the potential opening of all accession clusters. On 30 December, the Interagency Working Group endorsed the draft strategic framework document – the [National Programme for the Adaptation of Ukraine's Legislation to EU Law \(the EU acquis\)](#) – which serves as a roadmap for reforms within the accession negotiation process.

Another significant development was the decision of the EU summit on 18 December to provide joint financial assistance to Ukraine amounting to €90 billion for 2026-2027. These funds are to be directed towards state budget financing and defence needs. The summit's decision carries strategic importance as confirmation of the European Union's

unbreakable solidarity and military-financial support for Ukraine. It should be noted, however, that three countries – Hungary, Slovakia and Czechia – will not assume corresponding financial obligations under this EU decision.

In turn, Brussels undertook several additional steps. First, the EU agreed on a mechanism for the [indefinite freezing](#) of Russian assets in Europe, meaning that these assets will remain immobilised irrespective of the six-monthly renewal procedure for anti-Russian sanctions. Second, EU ambassadors agreed on a plan to terminate imports of Russian gas by the end of 2027; on 17 December this decision was supported by the European Parliament and is subsequently to be endorsed by the EU Council. Third, at the end of December Ukraine received the sixth tranche (€2.3 billion) under the Ukraine Facility mechanism.

In summary, the events of December and of 2025 as a whole demonstrate a gradual intensification of global turbulence. Geopolitical and economic instability persisted amid ever-increasing rivalry between major centres of power. A particularly dangerous trend of the year was the accelerating militarisation, including the build-up of military arsenals, among them nuclear capabilities. Developments were further shaped by radical changes in United States foreign policy and the deterioration of Washington's relations with partner countries and international organisations.

Ongoing large-scale Russian aggression against Ukraine – in effect, a war of attrition – remains the principal global threat. The peace negotiation process under United States auspices, reinvigorated in December, offers certain grounds for cautious optimism; however, it has not, at this stage, resulted in a cessation of hostilities.

In these circumstances, Ukraine's foreign policy must focus, on the one hand, on actively advancing the negotiation process, including securing reliable and legally binding security guarantees. This requires maintaining a constructive dialogue with the United States while simultaneously accelerating European integration within the framework of EU accession negotiations.

On the other hand, a core priority remains the consolidation of European and broader international political, military and financial support in countering Russian aggression, strengthening national defence capabilities, and ensuring effective integration into EU defence programmes and initiatives.

DECISIONS AND PROJECTS

In early December, the Verkhovna Rada [approved](#) the State Budget for 2026. Compared with the initial [draft](#) budget submitted by the Cabinet of Ministers in September, its key parameters remained largely unchanged.

The macroeconomic indicators embedded in the 2026 budget include projected real GDP growth of 2.4%; nominal GDP of UAH 10.3 trillion; inflation at 9.9% (December-on-December); and an average annual exchange rate of approximately UAH 45.7 to the US dollar.

Total expenditure in 2026 is set at UAH 4.82 trillion, which is UAH 121 billion (+2.5%) higher than envisaged for 2025. Revenues are projected at UAH 2.9 trillion, which is UAH 402 billion (+16.4%) more than planned for 2025. More than 58% of total budget expenditure is to be directed towards security and defence needs. The state budget deficit in 2026 will exceed 18.4% of GDP, and its financing will depend entirely on external support.

Among the notable features of the budget is a reduction in expenditure on the security and defence sector. In 2026, such spending is projected at approximately UAH 2.8 trillion, equivalent to 27.2% of GDP and UAH 143 billion less than in 2025. This reduction is likely to be temporary, reflecting technical balancing considerations; in line with established practice, amendments to the budget in March–April are expected to increase defence allocations.

Tax revenues, estimated at UAH 2.5 trillion, are expected to account for the majority of budget income in 2026. Nevertheless, a fundamental question remains following the adoption of the budget: how to finance defence needs and cover the substantial deficit when total projected revenues amount to UAH 2.91 trillion and defence expenditure alone reaches UAH 2.81 trillion?

As noted, deficit financing will [rely entirely on external assistance](#). According to the Ministry of Finance estimates, Ukraine's need for partner budgetary support in 2026 will amount to approximately UAH 2.08 trillion – equivalent to \$45.5 billion at the exchange rate assumed in the budget. The Ministry expects to secure funding from the World Bank, the European Union, the United Kingdom, the IMF and the G7 countries (see below for more details).

Domestic financing is expected to be effectively negative. In 2026, proceeds from domestic government bonds (OVDPs) are projected at UAH 420 billion, while UAH 525 billion will be required for servicing and redeeming existing issues. And given that the Verkhovna Rada, as noted, is likely to increase state budget expenditures in 2026, primarily for defence needs, as it occurred [several times in 2025](#), the deficit will become even deeper.

Despite these well-known budgetary constraints, the European Union continues to demonstrate steady support for Ukraine. Notably, the decision to disburse the sixth tranche under the Ukraine Facility programme – approximately €2.3 billion – represents one of the largest and most rapid allocations to Kyiv since the instrument's launch. The programme envisages €50 billion in assistance through 2027. The disbursement became possible after Ukraine successfully fulfilled all eight required steps for this tranche and completed one outstanding benchmark from the fourth instalment. Overall, Ukraine has implemented 63 of the 68 reform steps currently required under the programme.

The EU has emphasised that the funds will primarily be directed towards strengthening macro-financial stability, supporting the government, and advancing key reforms necessary for progress towards EU membership. All disbursements under the programme are strictly conditional upon the

implementation of reforms – ranging from anti-corruption measures and judicial transformation to public finance management and corporate governance reform of state-owned enterprises. The programme is [synchronised](#) with Ukraine's EU accession roadmap; in fact, it constitutes a model of «European integration through conditional financing», where reform delivery unlocks tranche disbursement.

At the same time, at the end of December, the leaders of the EU member states [approved](#), at a summit meeting, a decision to provide Ukraine with €90 billion in support for 2026–2027. This concessional loan is viewed as an alternative to the reparations-based option, should the plan to use frozen Russian assets to assist Kyiv prove unworkable.

The funds for Ukraine are to be raised on capital markets through a borrowing mechanism structured as an interest-free loan. Czechia, Hungary and Slovakia [will not participate](#) in this mechanism.

The President of the European Commission [emphasised](#) that the EU reserves the right to make use of frozen Russian cash assets to repay the loan. Ukraine would be required to repay the loan only after Russia has paid reparations. Disbursements under the mechanism are expected to commence in the second quarter of 2026.

It is also important to note a broader feature of the European integration process: although the EU has formally agreed to open accession negotiations with Ukraine, their pace will depend directly on the progress achieved in implementing the reforms linked to this programme.

DEVELOPMENTS, PROCESSES, TRENDS

Going back to financial needs, Ukraine faces a serious shortage of external financing in 2026, with the total requirement of approximately \$45 billion, according to the [state budget adopted on 3 December](#).

The Ministry of Finance assures that support totalling \$27 billion has already been confirmed, leaving an additional \$18 billion to be secured. At the same time, the current ERA mechanism, the Ukraine Facility instrument,

and the anticipated [new IMF \\$8 billion loan programme](#) will not, in themselves, fully cover the required amount.

Meanwhile, the 2025 budget faced comparable financing gaps, yet remained stable. In 2025, the Ministry of Finance [raised](#) \$52.4 billion in external financing. International support enabled the full funding of social and humanitarian expenditure.

More than 70% of the funds attracted in 2025 consisted of G7 loans under the Extraordinary Revenue Acceleration (ERA) mechanism, to be serviced through revenues generated from immobilised Russian assets.

The European Union remained Ukraine's largest donor, providing \$12.1 billion under the Ukraine Facility instrument, of which \$668 million were grants.

In 2025, Ukraine successfully completed two reviews under the IMF Extended Fund Facility programme, enabling the disbursement of \$912 million. In total, \$10.6 billion has been mobilised under the programme to date.

Ukraine and the IMF have also [reached staff-level agreement](#) on a new EFF programme for 2026–2029, providing for \$8.1 billion in financing. The new arrangement is expected to be submitted for approval by the IMF Executive Board in 2026.

Domestic sources are also being used to finance budgetary needs, although their scale remains insufficient. In 2025, the Ukrainian government [raised](#) UAH 430.1 billion, \$2.45 billion and €779.2 million at domestic bond auctions, while UAH 320.3 billion, \$2.88 billion and €752.5 million were allocated to servicing and redeeming domestic government securities. Overall, domestic borrowing exceeded repayments by UAH 93.8 billion.

The authorities assure that the effective functioning of the domestic debt market has been made possible by [close coordination](#) between the government and the National Bank of Ukraine (NBU).

It is evident that expanding resources to finance budgetary needs will ultimately depend on strengthening the country's economic

resilience, including through the development of effective forms of economic activity, such as industrial parks. According to the press service of the Ministry of Economy, the Cabinet of Ministers has added two new facilities to the Register of Industrial Parks: FURSY in Kyiv oblast and MISTO DIY in Lviv oblast. The implementation of these projects is expected to create more than 1,000 new jobs in the processing industry sector.

It is further noted that the development of a network of industrial parks is an important component of the «Made in Ukraine» policy. The inclusion of new parks in the register serves as a clear signal to investors about state support for the processing industry, contributes to regional development, fills local budgets and facilitates the introduction of new technologies. At present, 118 facilities are listed in the Register of Industrial Parks.

Other forms of effective economic management are associated with venture projects. By the end of 2025, the Ukrainian venture market entered a phase of moderate stabilisation. Following an active summer marked by a record number of transactions, investors acted more cautiously in October–December, focusing on fewer contracts but with larger investment volumes. Despite the seasonal slowdown, interest in Ukrainian start-ups remained strong, especially in the fields of defence technologies and artificial intelligence.

In Q4, Ukrainian start-ups publicly raised \$62.7 million across 22 investment rounds.

Although the number of deals was significantly lower than in the previous quarter, total investment volume exceeded the third quarter's figure of \$44.3 million. The average investment size increased in Q4, reflecting a tendency among investors to focus on scaling projects that had already demonstrated product viability rather than entering a large number of new ventures.

As throughout the year, the sectoral focus of investment remained stable. DefenceTech was the most active category in terms of deal count in Q4, accounting for nearly 40% of all funding rounds. Investments in artificial intelligence and related technologies ranked second.

There were also positive developments for Ukraine on international financial markets. Ukrainian sovereign bonds rose sharply in price, reaching their highest levels since the major restructuring of sovereign debt in 2024. This increase was driven by investor optimism regarding potential progress in peace negotiations with Russia.

The appreciation of Ukrainian bonds is an important economic signal, indicating that investors perceive the risks associated with Ukrainian debt as less acute than previously, thereby improving Kyiv's access to international capital markets.

Overall, the domestic economy is entering 2026 with cautiously positive expectations, largely due to continued progress in domestic reforms and European integration processes.

IV.

ENERGY SECTOR

ENERGY BALANCE

During the reporting period, Ukraine's integrated power system (IPS) operated under a persistent deficit caused by Russian attacks, the largest of which occurred on 6, 11, 23 and 26 December. Damage to key facilities in Kyiv and Odesa oblasts and nearly all frontline regions resulted in the introduction of scheduled hourly power cuts affecting two to four groups of household consumers, as well as round-the-clock power restrictions for industry. Emergency shutdowns were applied on 19 occasions. In addition, adverse weather conditions caused temporary power disruptions in four regions, affecting 215 settlements on 29 December.

During the reporting period, the base capacity of Ukraine's IPS was provided by nine NPP units, generating up to 7 GW. Following each large-scale attack, the output of most units was artificially limited during restoration works within the system. Manoeuvrable capacity was supplied by TPPs, CHPPs, as well as hydroelectric and pumped-storage facilities, which together produced between 2.2 and 2.6 GW. Due to predominantly cloudy weather, renewable energy generation did not exceed 0.8 GW.

Generation at Ukrhydroenergo facilities in December was limited by water resources, therefore averaged around 0.5 GW. Hydroelectric power was supplied mainly during peak consumption hours and was reduced to 0.3 GW following enemy attacks.

The share of nuclear energy in the generation mix in December ranged within 58–62%, although it declined to 50% after attacks on Energoatom and Ukrenergo substations. TPPs accounted for up to 13–17% of electricity production, followed by CHPPs (up to 14%), renewables (7–10%), and HPPs (5–6%). Overall, hourly generation volumes in Ukraine amounted to 10–11 GW (6–7 GW after each major attack). In the corresponding period of 2021, generation reached up to 19 GW.

Despite ENTSO-E's agreement to [increase the total import](#) capacity from 2.1 to 2.3 GW, no more than 37% of it was used, in particular due to organisational bottlenecks in the system.

Over the month, 640 GWh of electricity was [imported](#) from five neighbouring countries. The largest shares came from Hungary and Slovakia (41% and 21%, respectively). December volumes were the highest recorded in 2025, representing a 48% increase compared to the same period of the previous year. However, total electricity imports for 2025 amounted to 3,300 GWh – 24% less than in the preceding year.

No electricity was exported in December. Cross-border supply has been [fully suspended](#) since 11 November 2025.

According to the results of the first monthly cross-border capacity allocation auctions for January 2026, Hungary offered 460 MW, while Slovakia and Romania each offered 172 MW. From the Ukrainian side, no capacity was put up for auction, although available export capacity [amounted](#) to 0.9 GW.

Coal reserves stood at 2.5 million tonnes. However, damaged TPP and CHPP units limited the ability to utilise these reserves at scale. Therefore, existing reserves may be sufficient to get through the entire autumn–winter period of 2025–2026.

After the launch of centralised heating systems and a drop in air temperature in the final third of December, daily gas consumption in Ukraine increased to 60–65 mcm. Supply was ensured through domestic production, largely restored to 40–42 mcm/day after significant reductions in October (at some facilities by up to 60%), imports from Hungary, Poland and Slovakia (23–25 mcm / day; 750 mcm in total [for the month](#)), and withdrawals from underground storage facilities (up to 30 mcm/day).

As a result, **Ukrainian gas reserves** decreased by almost a quarter compared to the previous month, reaching 6.3 bcm, excluding 4.1 bcm classified as «long-term storage» gas; 0.6 bcm formally designated as «buffer gas»; and 0.3 bcm belonging to non-residents. Although this level exceeds last year's by 28%, it remains 15% lower than in 2015-2018.

Total gas consumption in 2025 is projected at 20.5 bcm, remaining largely unchanged year-on-year but 29% lower than in 2021. This level of demand cannot be fully covered by domestic production, which is expected to reach 16.9 bcm (down 7% compared with 2024).

According to Naftogaz Group's own estimates, to ensure a stable heating season, it will need to **procure** 4.4 bcm of gas in 2025-2026 at an estimated cost of €1.9 billion. In 2025, companies within the Naftogaz Group accounted for 88% of total gas imports (5.6 bcm). A further 0.8 bcm was imported by DTEK and Gas Transmission System Operator of Ukraine LLC.

As the Naftogaz Group had limited capacity to procure the required volume, it **signed** a grant agreement worth **€127 million** with the European Investment Bank (in addition to the €300 million received in October), **received UAH 8.4 billion** from the state budget reserve fund and UAH 9.7 billion **loan** from PrivatBank to support additional purchases.

PROBLEMS AND SOLUTIONS

During the reporting period, the Russian aggressor consistently adhered to the tactics it had chosen for the autumn-winter period against Ukraine's critical infrastructure. Strikes were carried out at intervals of 7-10 days using various means of attack, sequentially across different regions and primarily at night. Ballistic missiles mainly targeted second-level protected substations of Ukrenergo and Energoatom; sea- and air-launched cruise missiles were directed primarily at machine rooms of TPPs, CHPPs, HPPs and PSPs; and UAVs targeted particularly vulnerable equipment at critical infrastructure facilities. The enemy effectively concentrated different types of weapons to overload the missile and air defence systems and conducted prolonged

attacks lasting 8-12 hours to complicate the work of air defence force operators and mobile fire groups.

The aggressor's objective remained to split Ukraine's power system along the Dnipro River while simultaneously attempting to isolate peripheral subsystems – particularly those whose operation depends on one or two large TPPs or CHPPs (for example, Chernihiv region) or those connected to the IPS by a limited number of transmission lines (notably Odesa region).

This objective was not achieved, although, **according** to the President, «there is currently no power plant in Ukraine that has not suffered damage from Russian strikes».

In December, the heating season was complicated by numerous damages to critical infrastructure and, as a result, shortages of generation, transmission and distribution capacity. Due to Russian shelling, an average of 400,000 consumers **remained** without electricity each day, mainly in border and frontline regions (reaching up to 1 million on 14 and 26 December). Repair works continued almost without interruption and were complicated by low air temperatures, worn-out networks and systems, and shortages of resources, caused, among other things, by chronic indebtedness among market participants and by district heating and power companies to gas suppliers.

Nevertheless, despite the ongoing attacks, Ukraine's integrated power system preserved its integrity and continued to operate in sync with Europe's power system. According to government officials, the following measures contributed to its resilience:

- ✓ **forming and maintaining** equipment reserves for rapid repairs, «in some cases ahead of schedule»;
- ✓ **accelerating** the **construction** of engineering protection for critical infrastructure facilities;
- ✓ **commissioning** 762 MW of new gas-fired generation capacity;
- ✓ **creating** a strategic reserve of natural gas;

✓ **procuring** equipment for the restoration and repair of generation, transmission and distribution facilities using funds from the Ukraine Energy Support Fund, which has accumulated more than €1.6 billion, including €350 million in December 2025;

✓ **extending for two years** the exemption from import duty and value-added tax on imports of goods for the construction and restoration of power plants, energy storage facilities, as well as equipment imported under the auspices of the Energy Community Secretariat;

✓ **obtaining authorisation** from the Energy Community Ministerial Council to continue the operation of large combustion plants until 31 December 2028;

✓ **transferring** the most vulnerable equipment and consumables to 121 critical energy infrastructure facilities through the Energy Emergency Assistance Hub;

✓ **receiving** from international partners 566 cogeneration units, 368 modular boiler houses and 28 gas turbine units;

✓ **simplifying** procurement **procedures** for energy equipment and the repair of damaged facilities, as well as the issuance of permits for their construction and reconstruction;

✓ **resuming** competitive tenders for the construction of new generating capacity, enabling decisions to be taken without repeated review of submitted bids;

✓ **providing** UAH 32.2 billion in credit financing for projects involving the construction of 1.2 GW of new generation capacity and 484 MW of energy storage facilities;

✓ **simplifying** procedures for the installation of cogeneration units, modular boiler houses, gas and diesel generators, and energy storage systems;

✓ **extending** the expedited **procedure** for connecting modular boiler houses to gas distribution networks during martial law;

✓ **commissioning** more than 190 cogeneration units and 140 modular boiler houses with a combined capacity of about 450 MW;

✓ **maintaining** last year's **electricity** and natural **gas prices** for household consumers;

✓ **successfully implementing** the state programmes *EnergoDIM* (thermal modernisation of 611 apartment buildings worth UAH 2.3 billion) and *GreenDIM* (166 projects worth UAH 138 million);

✓ **providing** financial assistance to more than 610,000 households – primarily in frontline regions – under the government's *Winter eSupport* package.

As can be seen, the achievements outlined above were largely piecemeal and raised a number of uncomfortable questions, including:

✓ **declaring the simplification of procedures** for installing cogeneration units, the government did not explain why only one-third of the equipment **supplied** by partners had actually been commissioned;

✓ **reporting the launch of 762 MW of new generation capacity**, the Ministry of Energy did not clarify that more than 80% of this capacity had been installed by private companies to meet their own needs and does not operate within Ukraine's IPS;

✓ **announcing the resumption of tenders** for the construction of new generating capacity, government officials did not specify when the results of these measures could be expected;

✓ **speaking about the commissioning of more than 450 MW of decentralised capacity**, the Ministry for Communities and Territories Development effectively concealed the fact that this capacity is **non-guaranteed**, as it consists predominantly of photovoltaic installations;

✓ **reporting the preservation of electricity and natural gas prices and tariffs for household consumers**, senior officials did not explain how, under such conditions, the cost-neutral connection of small power plants to the IPS can be ensured or how the debt problem of suppliers – whose budgets depend solely on payments for consumed energy resources – can be resolved;

✓ **announcing a «reduction» in the gas price** to UAH 19,000/1,000 m³ for

cogeneration units in frontline regions, the government somehow «forgot» to mention that this had already been the price (UAH 19/m³) in October, before the **increase** initiated by the government itself.

Other measures taken in December to address the problems facing the fuel and energy sector include:

- ✓ **allocating** UAH 665 million from the state budget reserve fund to nine oblast state administrations to finance measures aimed at preventing technogenic emergencies, including the procurement of fuels and lubricants to ensure the operation of backup power sources (generators) during the autumn–winter period;

- ✓ **allocating** UAH 224 million to the Sumy Oblast State Administration for measures related to eliminating the consequences of a technogenic emergency, including the procurement of modular boiler houses to ensure the stable passage of the heating season;

- ✓ **clarifying** the procedure for the use and allocation of funds for Part 2 of the **investment project** «Restoration of Energy Supply in Winter and Provision of Energy Resources» (\$116 million), aimed at restoring district heating systems in Kharkiv, Sumy, Chernihiv, Mykolaiv, Kryvyi Rih, Kremenchuk and Slavutych;

- ✓ **defining** the mechanism for using UAH 18.7 million from the special fund of the state budget to complete the investment project «Improving Energy Efficiency in the District Heating Sector of Ukraine», implemented by Kharkiv Heating Networks;

- ✓ **establishing** the lists of goods subject to export and import licensing and the respective quotas for 2026. In particular, a zero quota was set for exports of Ukrainian natural gas, while licensed exports of fuel oil were limited to 400,000 tonnes;

- ✓ **removing** settlements located within a 20-km zone along the state border with the Republic of Belarus from the list of critical facilities entitled to priority electricity supply based on the **established** minimum load;

- ✓ **setting the Ukrenergo** transmission tariff in 2026 to UAH 713.68/MWh

from 1 January and UAH 742.91/MWh from 1 April (+4.0% and +8.3% compared with 2025);

- ✓ **setting** the tariff for system operation services provided by Ukrenergo in 2026 at UAH 110.03/MWh (+11.2% compared with 2025);

- ✓ **increasing** natural gas distribution tariff for 34 market operators (for the first time since 2021). From 1 January, the weighted average tariff will increase from UAH 1.18/m³ to UAH 1.56/m³ (excluding VAT), and from 1 April—from UAH 1.56/m³ to UAH 1.89/m³ (excluding VAT). At the same time, the price of gas supplied to households by Gas Supply Company Naftogaz of Ukraine LLC will remain unchanged at UAH 7.96/m³.

CONCLUSIONS AND RECOMMENDATIONS

December demonstrated that, unlike energy sector professionals – who after each enemy attack try to apply a systematic (or at least comprehensive) approach and **restore** energy supply according to pre-developed algorithms – the Cabinet of Ministers does not work as proactively and consistently as the circumstances require. Important decisions are often made in a «firefighting» mode and with significant delays. Such decisions are usually formulated during or immediately after lengthy representative meetings, most of whose participants play little more than a ceremonial role.

Illustrative examples of such insufficiently qualified and timely efforts include the **plan** of measures for renewing the composition of supervisory boards and executive bodies of enterprises in the fuel and energy sector and the government **instruction** on measures to ensure electricity supply during the autumn–winter period.

The **first document** has already had to be amended for the **third time**, as its authors appear to have been unfamiliar with the principles of corporate governance. They assumed that three weeks would be enough to dismiss the members of the executive bodies and supervisory boards of a dozen large companies, organise the selection and vetting of candidates, conduct the competitions, and «bring the statutes and regulations of state-owned enterprises into line with the OECD corporate governance guidelines». As a result,

one task from the approved plan has already been removed, while the deadlines for completing 14 of the 24 tasks have been postponed – six of them for the second time.

What could have been done? First, to refrain from replacing the leadership of key energy companies in the middle of the heating season and during massive enemy attacks on critical infrastructure. It would have been sufficient to set clear KPIs for state representatives on supervisory boards, with strict liability for non-compliance.

The second document showed that its authors had not read the Cabinet's [Rules of Procedure](#) and were unfamiliar with the functions and powers of the executive authorities. After all, it is impossible to demand that electricity generation facilities not connected to the grid should «urgently» (i.e. within three working days) begin generating and supplying electricity to the system, while at the same time assigning this task to the Ministry of Energy and state administrations, which do not own the facilities in question.

It is equally unclear what the authors meant by «endorsing» a proposal from the Ministry of Economy regarding «the possibility of purchasing» imported electricity by state-owned enterprises. This provision did not contain any concrete tasks.

Finally, instead of the obvious [requirement](#) for the Ministry of Energy to «define the mechanism and criteria for forming» lists of protected consumers, two-thirds of whom do not qualify as critical infrastructure enterprises, the government opted to «disconnect non-household sub-consumers located on the same supply line in order to redistribute the released volumes of electricity to household consumers» ([para. 1](#)). Unsurprisingly, the «[released 800 MW](#)» never actually materialised in the system.

The only implementable task contained in the instruction was to reduce consumption, «in particular by limiting the use of exterior lighting of buildings, adjacent areas, parks, outdoor advertising, street lighting and other measures» ([para. 5](#)). However, as previous

years' experience shows, the effect of such measures is minimal – up to 3% of total consumption – while the negative consequences of insufficient street lighting in large cities can be significant.

What could have been done? Instead of redistributing already scarce capacity – which diminishes further with each large-scale attack – the government should have unblocked investment, primarily private investment, to rapidly expand distributed generation in large cities, local communities and industrial areas. The trend of growing capacity shortages in Ukraine's integrated power system, caused by Russian strikes, can only be reversed if:

- ✓ saturating the system with 500+ small energy units, mainly cogeneration facilities, with a guaranteed capacities ranging from >1 to 10 (100) MW, operating on locally available fuel; integrating them into distribution micro grid systems based on smart grid technologies; connecting them to IPS as elements of the ancillary services market;

- ✓ encouraging local communities, budgetary institutions and organisations to achieve real energy autonomy, rather than purchasing photovoltaic panels and fostering fragmented forms of «energy separatism»;

- ✓ ensuring genuine, rather than [fictitious](#), simplification of the construction, siting and commissioning of gas-piston and gas-turbine units, including cogeneration facilities, as well as procedures for connecting this and other energy equipment to electricity, gas, and heating networks;

- ✓ guaranteeing the solvency of all participants in the energy value chain, thereby enabling the proper functioning of transmission and distribution systems across all energy markets.

However, for such tasks to appear in the government's regulatory acts, it is necessary to [create](#) conditions under which state authorities formulate policy on the basis of its analysis and consultations with stakeholders, and ensure its effective and efficient implementation.

V.

SOCIAL POLICY

On 7 January 2026, the [Cabinet approved and submitted to the Verkhovna Rada](#) a draft new Labour Code intended to replace the current Code of Labour Laws (1971). According to the government, updating the Labour Code is part of Ukraine's European integration commitments and represents an important step towards aligning the Ukrainian labour market with EU standards. The [draft](#) provides for the implementation of more than 30 European directives concerning, inter alia, working time, transparent and predictable working conditions, protection of workers and the reconciliation of work and family responsibilities.

According to the Ministry of Economy, the draft aims to systematise guarantees and rules governing their application. It codifies modern forms of employment and makes labour regulations more predictable for employees. For employers, the draft reduces legal uncertainty in the application of norms, updates approach to the formalisation of employment relations and regulates procedures in a way intended to reduce the number of disputes and the costs associated with resolving them, [including](#):

✓ **defining clear criteria for employment relationships.** The Code establishes eight criteria for identifying employment relationships, aimed at reducing legal uncertainty and bringing undeclared employment into the formal economy. [Preliminary estimates](#) suggest that labour market formalisation could generate up to **UAH 43 billion annually**.

✓ **introducing more flexible employment contracts.** The number of types of employment contracts will increase from six to nine. The Code regulates modern forms of work, including remote work, home-based work and contracts with non-fixed working hours. In addition, employees will be able to conclude several types of contracts with the same employer.

✓ **digitalising employment relations.** Electronic documents will be granted the same legal status as paper documents in employment relations.

✓ **introducing a transparent mechanism for determining the minimum wage,** both monthly and hourly, aligned with EU standards. The minimum threshold will be determined as a percentage of the average wage, with the specific rate set by the Cabinet.

✓ **establishing flexible working arrangements for employees with children.** The Code guarantees the right to flexible forms of work (including remote and home-based work) and expands opportunities for parents. For example, it grants both parents the right to take two months of parental leave each.

✓ **reforming labour inspection,** introducing a risk-based approach to inspections.

✓ **expanding employment opportunities for young people,** including through the introduction of apprenticeship employment contracts.

Although the Cabinet presents the draft Labour Code as a «modernisation», «flexibilization» and «adaptation to market conditions», experts and trade unions have [criticised](#) these claims, arguing that such euphemisms conceal a radical shift in the balance between employees and employers in favour of the stronger party. Furthermore, the proposed Labour Code poses significant risks for employees, as it grossly violates the principles of social dialogue, contradicts ratified conventions of the International Labour Organization (ILO) and European Union directives, and weakens the protection of labour rights during wartime.

In particular, the following shortcomings of the draft Labour Code should be highlighted:

Lack of proper social dialogue. The document was prepared without adequate professional dialogue with civil society, trade unions and independent experts, despite the fact that Article 420 of the [EU-Ukraine Association Agreement](#) explicitly emphasises the importance of social dialogue and the promotion of social and legal justice in the context of labour market reform. Representatives of trade unions and human rights organisations state that the drafting

process lacked transparency, even though in July 2025, during the [Ukraine Recovery Conference in Rome](#), a Memorandum was signed between the Government of Ukraine, representatives of trade unions and employers' organisations on the mandatory participation of social partners in shaping and reforming labour legislation in general, and in drafting the Labour Code in particular. Nevertheless, work on the document continued without meaningful professional dialogue.

Contradictions with international standards and ILO recommendations. The draft Labour Code, prepared without the participation of social partners and criticised by trade unions, was submitted in September 2024 to the International Labour Office – the permanent secretariat of the International Labour Organization (ILO) – for expert review. However, without waiting for ILO's comments, the Ministry of Economy continued revising the document and later largely ignored the [observations](#) received. In particular, it disregarded the recommendation to include provisions regulating the status, establishment, rights and activities of employers' and workers' organisations.

International organisations, including the International Trade Union Confederation (ITUC) and the [Confederation of Free Trade Unions of Ukraine](#), have expressed concern that certain provisions of labour-related draft laws (some of which overlap with the draft Labour Code) contradict ILO conventions, particularly with regard to:

- ✓ regulation of working time, rest periods, minimum remuneration and protection against unlawful dismissal;
- ✓ conditions for concluding employment contracts with employers;
- ✓ exclusion of small and medium-sized enterprises from the full scope of [labour rights protection](#).

This indicates a risk that the draft may fall short of European and international labour standards.

Weakening of labour guarantees. The draft may strengthen employers' positions in terminating employment contracts. In particular, there are concerns about the possible reduction of leave entitlements and an [increase in working time limits](#), as well as the introduction of practices that could restrict trade union activity. If confirmed in the final version of the document, these concerns would indicate a possible return to «draconian» terms

that weaken the protection of employees. Trade unions also note that the draft could narrow existing social guarantees, for example for single mothers, as well as provisions related to medical examinations and employers' requirements.

Depriving trade unions of their constitutional status as representatives of employees. Unlike the current Code of Labour Laws, the draft Labour Code contains no provisions regulating the legal status of trade unions or guaranteeing their rights, although trade unions are mentioned as one of the subjects of labour relations. Instead, the draft introduces the broader term «employee representatives», which casts doubt on and significantly limits the rights of trade unions as the only legitimate and systematically operating organisations in Ukraine that, under the Constitution (Article 36), represent and protect the rights of workers. As a result, the workers' rights to trade union representation, as provided for under current legislation, would no longer be guaranteed. At the same time, the draft provides guarantees for other actors – such as labour mediators and labour arbitrators – while omitting such guarantees for trade unions.

Experts also note that the draft Labour Code has largely been [compiled from several existing legal acts](#) and legislative initiatives, including:

- ✓ amendments introduced in recent years to the current Code of Labour Laws;
- ✓ the 2022 draft Law «On Labour», which was criticised by the ILO in the [Memorandum of technical comments](#) prepared by the International Labour Office experts;
- ✓ the Law of Ukraine «On Collective Agreements and Contracts» adopted in 2023, which never entered into force and has been proposed for repeal;
- ✓ the Law of Ukraine «On Remuneration of Labour»;
- ✓ the Law of Ukraine «On Leave», as well as the draft laws «On Collective Labour Disputes» (No. 12034) and «On Occupational Safety and Health of Workers» (No. 10147), which are currently at different stages of the legislative process.

Moreover, the draft Labour Code proposes repealing six existing laws (including those on remuneration of labour, labour protection and collective agreements) and introducing amendments to 149 other laws.

Social insurance and pension provision.

The draft Labour Code contains no provisions regulating the relationship between employees and employers with regard to ensuring workers' rights to compulsory state social insurance and pension provision (Articles 253–256 of the current Code of Labour Laws). In practice, this amounts to abandoning Labour Code regulation of social insurance and pension provision.

Legalisation of lockouts.¹ The draft Labour Code proposes introducing the legal concept of a «lockout» into Ukraine's legal system (para. 10 of Article 29, para. 3 of Article 284, and Articles 290–294), which poses a potential threat to workers' constitutional right to strike. Under Article 44 of the Constitution, workers have the right to strike in order to defend their economic and social interests. At the same time, the Constitution neither establishes nor guarantees employers the right to impose lockouts. Nor does Article 6 of the European Social Charter provide grounds for the legalisation of lockouts, as –according to the case law of the European Committee of Social Rights – it recognises only the right of workers and employers to collective action, which a lockout at the local level cannot be considered to constitute.

Risks of the «contract-based poverty trap». The draft actively promotes the idea of the individual employment contract as the key regulatory instrument. However, the individual contract risks becoming not a tool of flexibility, but a mechanism for legitimising deteriorating working conditions. In the Ukrainian context, this may imply:

- ✓ a weak bargaining position for employees;
- ✓ the absence of genuine freedom to negotiate employment conditions;
- ✓ the effective imposition of «default» terms and conditions.

Disregard for the wartime and post-war social context. The draft was designed as a «universal» framework, yet it:

- ✓ fails to take into account the widespread vulnerability of workers (internally displaced persons, veterans, women with children, and returning migrants);
- ✓ does not provide strengthened guarantees for the post-war recovery period;

✓ prioritises labour market interests rather than the restoration of human capital.

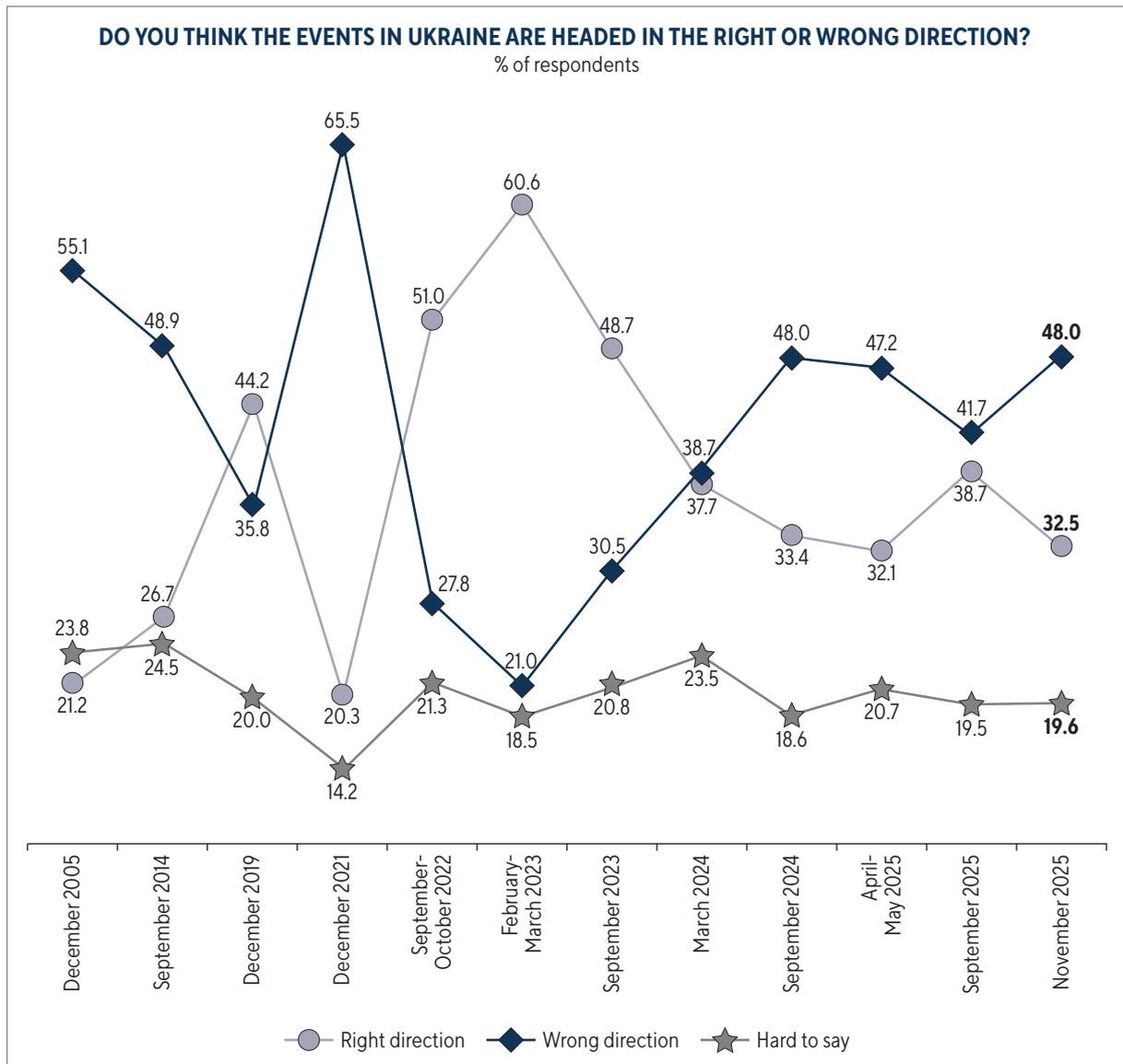
This represents a strategic miscalculation, as labour law will be a key instrument for reintegration and social stabilisation.

Potential negative implications for European integration. Although the draft formally refers to EU directives, the EU assesses not only the transposition of legal provisions but also their social impact. A systematic weakening of worker protection runs counter to the European Social Charter, while disregarding the position of trade unions sends a negative signal to EU institutions. In accession negotiations, labour and social rights constitute a politically sensitive area.

These are far from the only controversial aspects of the new draft Labour Code. The document requires thorough analysis and broad discussion, as it affects the rights of millions of workers and shapes the foundations of the future social contract. Overall, the proposed draft reflects an attempt at the formal modernisation of labour relations; however, in its current form it carries significant systemic risks for social balance and labour market stability. The closed nature of the drafting process, insufficient social dialogue and the disregard for critical comments from trade unions and independent experts undermine its legitimacy as a fundamental social regulator. Substantively, the draft prioritises expanding employer flexibility and contractual freedom without providing adequate compensatory guarantees for employees, which, in the context of the wartime and post-war period, may lead to the institutionalisation of unstable and poorly protected employment and to growing social tensions. Certain provisions also create risks of non-compliance with the ILO standards and the principles of the European Social Charter, which contradicts the declared course towards European integration. For these reasons, the draft Labour Code requires not accelerated adoption but a substantive revision, with involvement of social partners and international experts and with due consideration of the long-term tasks of restoring human capital and strengthening social cohesion.

¹ A **lockout** is an action taken by an employer whereby the operation of an enterprise, or part of it, is temporarily suspended and employees are denied access to their workplaces, with wage payments halted in order to exert pressure on workers, prevent a strike, or compel them to accept certain employment conditions. In essence, it is a «strike in reverse» – an initiative taken by the employer rather than by employees. It may be used either in response to a threatened strike or as a preventive measure or form of economic pressure.

VI. CITIZENS' OPINIONS ABOUT CURRENT ISSUES¹



¹ Results of a sociological survey conducted by the Razumkov Centre's sociological service on 11-18 November 2025 as part of the project "Ukraine: Socio-Political Challenges of the Transition from War to Peace and Recovery", supported by the Konrad Adenauer Foundation Office in Ukraine.

Face-to-face interviews were conducted in Vinnytsia, Volyn, Dnipropetrovsk, Donetsk, Zhytomyr, Zakarpattia, Zaporizhzhia, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Mykolaiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Kherson, Khmelnytskyi, Cherkasy, Chernihiv, Chernivtsi oblasts and the city of Kyiv (survey was only carried out in government-controlled areas not subject to hostilities).

The survey was based on a stratified multi-stage sampling with random selection at the initial sampling stages and quota selection of respondents at the final stage (when respondents were selected based on gender and age quotas). The sample structure reproduces the demographic structure of the adult population of the surveyed areas as of the beginning of 2022 (by age, gender, type of settlement).

A total of 2,008 respondents aged 18+ were interviewed. The theoretical sampling error does not exceed 2.3%. At the same time, additional systematic sampling deviations may be caused by the effects of Russian aggression, in particular, the forced evacuation of millions of citizens.

Full project results to be presented in the second half of January 2026.

HOW DO YOU TRUST THE FOLLOWING SOCIAL INSTITUTIONS? % of respondents																
	July-August 2021				September 2024				September 2025				November 2025			
	Trust*	Distrust**	Hard to say	Trust-distrust balance***	Trust*	Distrust**	Hard to say	Trust-distrust balance***	Trust*	Distrust**	Hard to say	Trust-distrust balance***	Trust*	Distrust**	Hard to say	Trust-distrust balance***
Armed Forces of Ukraine	68.3	24.8	6.7	43.5	91.5	5.9	2.6	85.6	92.6	5.6	1.7	87.0	92.1	5.9	2.0	86.2
State Emergency Service	61.4	28.7	9.9	32.7	83.1	12.4	4.4	70.7	86.3	9.7	3.9	76.6	85.6	9.8	4.5	75.8
Volunteer organisations	63.6	25.1	11.3	38.5	80.3	13.7	5.9	66.6	81.5	14.8	3.7	66.7	81.1	14.3	4.6	66.8
Volunteer units	53.5	33.4	13.1	20.1	79.5	12.3	8.2	67.2	78.3	14.6	7.1	63.7	77.8	14.7	7.5	63.1
Main Directorate of Intelligence (GUR)	-	-	-	-	-	-	-	-	73.3	16.9	9.9	56.4	71.0	18.0	11.1	53.0
National Guard of Ukraine	53.6	36.0	10.4	17.6	74.4	18.5	7.1	55.9	76.6	18.4	5.0	58.2	72.4	21.3	6.4	51.1
State Border Guard Service	55	34.3	10.7	20.7	69.8	23.4	6.9	46.4	75.2	20.1	4.6	55.1	70.5	23.2	6.3	47.3
Church	63.5	26.3	10.3	37.2	62.5	26.8	10.6	35.7	62.0	26.6	11.2	35.4	64.6	24.0	11.4	40.6
Civil society organisations	47	37.4	15.5	9.6	58.8	29.3	11.8	29.5	53.9	34.5	11.6	19.4	64.0	24.6	11.4	39.4
Security Service of Ukraine (SBU)	37.5	49.7	12.7	-12.2	63.6	26.1	10.3	37.5	66.4	24.6	9.0	41.8	65.0	25.9	9.1	39.1
Ministry of Defence of Ukraine	-	-	-	-	62.8	29.1	8.1	33.7	66.6	26.7	6.7	39.9	63.4	28.4	8.2	35.0
National Bank of Ukraine	29.1	60.1	10.9	-31.0	50.2	39.4	10.4	10.8	49.4	43.2	7.4	6.2	53.9	36.8	9.3	17.1
Ukrainian Parliament Commissioner for Human Rights (Ombudsperson)	31.7	40.1	28.1	-8.4	42.4	34.4	23.2	8.0	46.7	35.4	17.9	11.3	47.9	33.8	18.3	14.1
Local council of your city/town/village	51.4	37.8	10.7	13.6	44.6	45.9	9.4	-1.3	42.3	49.0	8.7	-6.7	49.5	41.0	9.6	8.5
Mayor of your city/town/village	57.1	33.6	9.3	23.5	47.4	44.7	7.9	2.7	48.9	45.7	5.5	3.2	50.2	42.1	7.7	8.1
Ukrainian media	45.4	45.8	8.9	-0.4	44.6	48.1	7.3	-3.5	44.1	48.5	7.4	-4.4	48.0	45.3	6.8	2.7

* The total of answers «fully trust» and «rather trust».
 ** The total of answers «fully distrust» and «rather distrust».
 *** Difference between the shares of those who trust and those who distrust.

HOW DO YOU TRUST THE FOLLOWING SOCIAL INSTITUTIONS? % of respondents													(continued)			
	July-August 2021				September 2024				September 2025				November 2025			
	Trust*	Trust**	Hard to say	Trust-distrust balance***	Trust*	Trust**	Hard to say	Trust-distrust balance***	Trust*	Trust**	Hard to say	Trust-distrust balance***	Trust*	Trust**	Hard to say	Trust-distrust balance***
President of Ukraine	36.2	57.6	6.2	-21.4	48.5	44.5	7.1	4.0	52.4	40.4	7.2	12.0	47.8	45.3	6.9	2.5
State Bureau of Investigations	–	–	–	–	–	–	–	–	34.3	48.0	17.6	-13.7	39.7	42.1	18.3	-2.4
National Police of Ukraine	38.5	52.9	8.5	-14.4	49.8	41.4	8.8	8.4	46.1	47.3	6.5	-1.2	45.5	48.7	5.8	-3.2
National Anti-Corruption Bureau of Ukraine (NABU)	15.2	69.6	15.3	-54.4	22.1	58.0	19.9	-35.9	30.6	55.8	13.6	-25.2	41.4	44.9	13.6	-3.5
Specialised Anti-Corruption Prosecutor's Office	13.6	69.3	17.2	-55.7	19.4	58.0	22.7	-38.6	28.3	55.8	15.9	-27.5	37.0	46.9	16.0	-9.9
Trade Unions	21.2	54.8	24.0	-33.6	25.9	46.1	28.0	-20.2	27.5	50.2	22.3	-22.7	29.6	42.1	28.3	-12.5
Commercial banks	18.2	70.7	11.1	-52.5	29.3	54.9	15.8	-25.6	31.0	55.1	13.9	-24.1	35.1	49.9	15.0	-14.8
National Agency on Corruption Prevention (NAZK)	13.2	69.6	17.2	-56.4	19.2	57.4	23.4	-38.2	26.7	57.4	15.8	-30.7	31.9	50.3	17.9	-18.4
Ukrainian authorities as a whole	–	–	–	–	–	–	–	–	33.8	56.8	9.4	-23.0	33.2	57.3	9.5	-24.1
Prosecutor's Office of Ukraine	17.8	71.1	11.1	-53.3	23.2	62.6	14.1	-39.4	26.2	62.3	11.5	-36.1	28.4	59.8	11.8	-31.4
Ukrainian opposition	–	–	–	–	–	–	–	–	17.0	61.5	21.5	-44.5	21.3	59.1	19.6	-37.8
Courts (judicial system as a whole)	15.5	74.2	10.4	-58.7	16.4	70.2	13.5	-53.8	19.7	71.1	9.1	-51.4	22.5	66.3	11.2	-43.8
Cabinet of Ministers of Ukraine	21.5	72	6.6	-50.5	20.5	72.5	7.1	-52.0	22.5	70.2	7.4	-47.7	21.4	72.8	5.8	-51.4
Political parties	16.1	71.7	12.2	-55.6	14.7	73.5	11.9	-58.8	11.5	80.7	7.8	-69.2	17.1	71.5	11.4	-54.4
State apparatus (officials)	14.9	75.7	9.4	-60.8	14.2	77.4	8.3	-63.2	12.6	79.7	7.7	-67.1	18.2	75.1	6.6	-56.9
Verkhovna Rada of Ukraine	18.7	75.1	6.1	-56.4	16.0	78.5	5.6	-62.5	17.2	76.7	6.0	-59.5	18.5	76.0	5.4	-57.5

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