

War in Ukraine

Germany pushes back against EU plan to raid frozen Russian assets

Berlin and other capitals are wary of legal and financial repercussions



An apartment block on fire in city of Bakhmut, Ukraine. A Ukrainian official said the EU could raise €3bn a year from the holdings of Russian central bank assets © Armed Forces of Ukraine/AFP/Getty Images

Martin Arnold and **Guy Chazan** in Berlin, **Sam Fleming** and **Henry Foy** in Brussels, and **Ben Hall** in London 16 HOURS AGO

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Germany has voiced objections against Brussels' plans to raid frozen Russian central bank assets for Ukraine's reconstruction, warning that a hasty move could stir up legal or financial risks.

The European Commission is working on a plan that could raise billions of euros by requiring financial institutions holding immobilised Russian assets to hand over some of the profits generated and use them in the rebuilding of [Ukraine](#).

But following concerns [flagged by the European Central Bank](#), Berlin and other capitals have called for further reflection over the ideas.

Senior German government officials said they doubted the plan would win enough support because the legal risks were too high. A foreign ministry official said Moscow "will have to pay for the damage it has caused in Ukraine" and insisted Germany was doing "everything it legally can" to locate and freeze the assets of sanctions-hit Russian individuals and companies. But he said the idea of [using Russian funds for Ukraine's reconstruction](#) raised "complex financial and legal questions".

“It opens a can of worms,” said another German official, adding that if the EU took money from the Russian central bank or reaped the proceeds from investing the funds, it would set a precedent for others to pursue, such as Poland’s reparation claims against Berlin for damage during the second world war.

One official said Marco Buschmann, Germany’s justice minister, had studied the EU proposals for harvesting the Russian central bank assets and concluded they were legally unworkable. A spokesperson for Buschmann declined to comment.

At a meeting with the commission on Wednesday, several diplomats urged caution, saying important questions needed to be answered before a formal proposal was made, said people briefed on the discussions.

Ever since the EU and its allies immobilised hundreds of billions of euros of [Russian central bank assets](#) after Moscow’s full-scale invasion of Ukraine, officials have been debating ways of putting some of that money to work rebuilding the country.

EU officials have backed away from the idea of confiscating the assets outright, and are instead looking for ways to harvest some of the proceeds for Kyiv. One option is for securities depositories to be required to make a windfall contribution from the profits generated when they reinvest the proceeds of immobilised Russian assets.

A senior Ukrainian official said Kyiv believes the EU could raise €3bn a year from the holdings of Russian central bank assets. The official said Ukraine was also looking at an alternative scheme whereby the commission could use seized Russian assets as collateral against which it could borrow to invest for a return, which would be earmarked for Kyiv.

“The challenge is to try to work out what is legally sound and defensible,” said one EU diplomat involved in the discussions “It’s more complex than anybody thought at the outset.”

Foreign ministers from the 27-country bloc are expected to discuss the issue at a meeting in Luxembourg on Monday, officials involved in the planning of the meeting said.

Commission executive vice-president Valdis Dombrovskis said officials would need to balance the principle that [Russia](#) should be held responsible for the damage it has caused while respecting the “legal framework for protecting the immunity of central bank assets, which is what the ECB is reflecting upon”.

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A spokesperson for the commission on Friday insisted there was "overwhelming support" from the member states on this matter and that solutions were possible.

Four member state officials said they saw a solid majority among EU countries in principle to use proceeds from confiscated Russian assets, while acknowledging that the ECB's concerns had given some capitals pause over the way to do it.

"There's a very clear, wide consensus within the member states that money, new money generated by those frozen assets, should be, could be used," said a second EU diplomat. "But there's also a very clear consensus that it's not something that we can do based on a political decision somewhere, to just take the money."

Christian Wigand, a commission spokesperson, said EU leaders meeting at a summit in Brussels on Thursday will provide further guidance. "Some more issues need to be further clarified and, in particular, further co-ordination with our international partners, namely G7 countries, will be necessary with view to making a concrete proposal."

Officials said the proposal to channel Russian central bank assets to support Ukraine had been strongly supported by Canada's finance minister Chrystia Freeland since it was discussed during the meeting of G7 countries in Japan earlier this month.

Katherine Cuplinskas, a spokesperson for Canada's finance ministry, told the Financial Times it was working "in close collaboration with our international partners and allies, including those in Europe, to find new ways to stop Putin's criminal regime and rebuild a prosperous and free Ukraine".

Canada recently passed legislation allowing it to seize and pursue the forfeiture of assets subject to sanctions on Russia and has taken more than \$26mn from Granite Capital Holdings, which is owned by sanctions-hit Russian oligarch Roman Abramovich, as well as an Antonov 124 aircraft.

Additional reporting from Philip Stafford in London