

# FINANCIAL ASSISTANCE TO UKRAINE BILL

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the Financial Assistance to Ukraine Bill as brought from the House of Commons on 19 December 2024 (HL Bill 58).

- These Explanatory Notes have been prepared by HM Treasury in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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## Overview of the Bill

- 1 The Financial Assistance to Ukraine Bill will provide the Government with spending authority to enable the UK to provide Ukraine with financial assistance as part of the G7 'Extraordinary Revenue Acceleration (ERA)' Loans to Ukraine scheme. Through this scheme the G7 collectively will provide Ukraine with an advance of approximately USD \$50bn, repaid from the extraordinary profits made on immobilised Russian sovereign assets (RSAs) held in the EU. The Chancellor of the Exchequer announced on 22 October 2024 that the UK would contribute £2.26bn (\$3bn) to the proposal.<sup>1</sup>

## Policy background

- 2 On 24 February 2022 Russia launched a full-scale invasion of Ukraine. Since the invasion, Ukraine has received substantial military and budgetary aid from international partners, including from the United Kingdom, United States, Canada, Japan and European Union Member States. This support includes weapons, ammunition, training, and intelligence sharing.
- 3 The UK has provided almost £12.8bn in military, humanitarian and economic support to Ukraine since the start of the invasion. The UK's non-military commitments to Ukraine amount to £5 billion, including £4.1bn in fiscal support through World Bank loan guarantees and £937 million in bilateral assistance. The UK has provided £7.8 billion in military support and has pledged to sustain £3bn a year in military aid until 2030-2031 and for as long as it takes.
- 4 In response to the war in Ukraine, the United Kingdom and its partners have also taken action to immobilise RSAs held in their respective jurisdictions. Immobilised assets will remain in place until relevant sanctions are lifted. Around \$285bn of Central Bank of Russia assets are immobilised across the G7, EU and other partners.
- 5 At the G7 Leaders' Summit in Apulia on 14 June 2024, the G7 announced the 'Extraordinary Revenue Acceleration (ERA)' Loans to Ukraine scheme to provide Ukraine with approximately US \$50bn in additional support. The scheme involves using the extraordinary profits generated on immobilised RSAs held in the EU as the repayment stream for a series of bilateral agreements between G7 lenders and Ukraine. G7 lenders will provide Ukraine with loans to provide immediate financial support. The extraordinary profits on the immobilised Russian sovereign assets will then be divided between the G7 lenders in proportion to their contributions. This will happen as the extraordinary profits accrue, on a 6-monthly basis. The UK has pledged to contribute £2.26bn (\$3bn), which is our GDP proportionate share of the overall package. This will be disbursed in three tranches over three financial years. At IMF Annuals on 25 October 2024, the G7 issued further statements on the implementation of ERA<sup>2</sup>,

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<sup>1</sup> Announced at the G7 Summit, Apulia, June 2024, [g7italy.it/wp-content/uploads/Apulia-G7-Leaders-Communique.pdf](https://g7italy.it/wp-content/uploads/Apulia-G7-Leaders-Communique.pdf); press release issued by the Government to accompany announcement on 22 October, [gov.uk/government/news/uk-strengthens-national-security-and-bolsters-ukraines-war-chest-with-226-billion-military-loan](https://gov.uk/government/news/uk-strengthens-national-security-and-bolsters-ukraines-war-chest-with-226-billion-military-loan).

<sup>2</sup> Three relevant statements were published at IMF Annuals, 25 October 2024: i) G7 Leaders' Statement on ERA, [g7italy.it/wp-content/uploads/G7-Leaders-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loans.pdf](https://g7italy.it/wp-content/uploads/G7-Leaders-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loans.pdf); ii) G7 Finance Ministers' Statement on ERA, [g7italy.it/wp-content/uploads/G7-Finance-Ministers-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loan-Initiative.pdf](https://g7italy.it/wp-content/uploads/G7-Finance-Ministers-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loan-Initiative.pdf); iii) G7 Finance Ministers' and Central Bank Governors' General Statement, [g7italy.it/wp-content/uploads/G7\\_FMCBG\\_Statement\\_Washington.pdf](https://g7italy.it/wp-content/uploads/G7_FMCBG_Statement_Washington.pdf).

and an accompanying term sheet was published on 28 October 2024 which sets out the key features common to all lenders' bilateral agreements with Ukraine.<sup>3</sup>

- 6 The European Parliament and Council of the European Union have adopted a regulation which will govern the repayment mechanism for the ERA scheme. This mechanism is known as the Ukraine Loan Cooperation Mechanism (ULCM). The repayment mechanism is secured through Regulation (EU) 2024/2773.<sup>4</sup> This provides a legal basis within the EU for the UK to receive repayments from the ULCM, from the extraordinary profits on the immobilised assets, proportionate to the UK's contribution to the initial funding for Ukraine provided by the G7 as a whole.
- 7 The Financial Assistance to Ukraine Bill is required for spending authority purposes to comply with the Treasury's 1932 Concordat with the Public Accounts Committee (PAC Concordat). The Concordat quotes the relevant passage from the Treasury Minute:

“... while it is competent to Parliament, by means of an annual vote embodied in the Appropriation Acts, in effect to extend powers specifically limited by statute, constitutional propriety requires that such extensions should be regularised at the earliest possible date by amending legislation, unless they are of a purely emergency or non-continuing character.

“... while ... the Executive Government must continue to be allowed a certain measure of discretion in asking Parliament to exercise a power which undoubtedly belongs to it, they agree that practice should normally accord with the view expressed by the Committee that, where it is desired that continuing functions should be exercised by a government department (particularly where such functions involve financial liabilities extending beyond a given year) it is proper that the powers and duties to be exercised should be defined by specific statute. The Treasury will, for their part, continue to aim at the observance of this principle.”<sup>5</sup>
- 8 In practice, financial commitments which are not “of a purely emergency or non-continuing character” are taken to mean those lasting more than two years or involving more than £1.75m. As the UK's ERA contribution will last more than two years and involves expenditure of considerably more than £1.75m, this legislation is required to comply with the Concordat.
- 9 On achieving Royal Assent, the Government will have the requisite spending authority to enter into a bilateral agreement with Ukraine, to implement the UK's contribution to ERA. Negotiations have started with Ukraine in order to agree the terms of our bilateral agreement.

## Legal background

- 10 The relevant legal background is explained in the Policy Background section of these notes.

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<sup>3</sup> G7 Term Sheet, 28 October 2024, [g7italy.it/wp-content/uploads/Annex-Term-Sheet-Key-Features.pdf](https://g7italy.it/wp-content/uploads/Annex-Term-Sheet-Key-Features.pdf) .

<sup>4</sup> Regulation (EU) 2024/2773, [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202402773](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202402773).

<sup>5</sup> Annex 2.3 to Managing Public Money, May 2023, [assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing\\_Public\\_Money\\_-\\_May\\_2023\\_2.pdf](https://assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing_Public_Money_-_May_2023_2.pdf).

## Territorial extent and application

- 11 The Bill is to extend and apply to England, Wales, Scotland and Northern Ireland. The Bill is related solely to international agreements entered into by the United Kingdom and does not relate to any devolved matters.
- 12 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

## Commentary on provisions of Bill

### Clause 1

- 13 Clause 1 provides the Treasury or Secretary of State with spending authority to make payments to implement the UK's commitment to ERA. Payments made under Clause 1 will be solely those which are necessary to perform the UK's commitment to the ERA scheme, or any related subsequent arrangements which are "supplemental to", "modify" or "replace" the ERA. Any other payments to Ukraine, or any other country, which are unrelated to the ERA are not covered by the provisions of the Bill.

### Clause 2

- 14 Clause 2 specifies the short title of the Bill.

## Commencement

- 15 The Act will commence on Royal Assent.

## Financial implications of the Bill

- 16 The Bill will provide HM Treasury or the Secretary of State with statutory authority to spend money to fulfil the United Kingdom's commitments to the ERA scheme. The Bill does not provide for further financial assistance to be provided to Ukraine beyond what is necessary to implement ERA.
- 17 On 22 October 2024, the Chancellor of the Exchequer publicly committed the UK to providing £2.26bn (\$3bn) to the G7 proposal. The Bill is not intended to be used to spend beyond this commitment.

## Parliamentary approval for financial costs or for charges imposed

- 18 A money resolution is required for the Bill in respect of the expenditure authorised under Clause 1, namely, expenditure for the purpose of providing financial assistance to, or for the benefit of, Ukraine as a result of the ERA scheme or any subsequent arrangements that are supplemental to or modify or replace the ERA scheme.
- 19 The House of Commons approved the money resolution at Second Reading on 20 November 2024.
- 20 No ways and means resolution is required as the Bill does not authorise any new taxation or similar charges.

*These Explanatory Notes relate to the Financial Assistance to Ukraine Bill as brought from the House of Commons on 19 December 2024 (HL Bill 58)*

## Compatibility with the European Convention on Human Rights

- 21 The Bill does not engage any ECHR rights. Its purpose is to provide the Government with spending authority for payments made to, or for the benefit of, the Government of Ukraine in order to fulfil the Government's commitment to the G7 ERA Loans to Ukraine scheme.
- 22 The Government therefore considers that the Financial Assistance to Ukraine Bill is compatible with the European Convention on Human Rights. Accordingly, the Financial Secretary to the Treasury, Lord Livermore, has made a statement under section 19(1)(a) of the Human Rights Act 1998 to this effect.

## No statement under the Environment Act 2021

- 23 The Financial Secretary to the Treasury, Lord Livermore, is of the view that the Bill as published does not contain provision which, if enacted, would constitute environmental law for the purposes of section 20 of the Environment Act 2021.

## Northern Ireland trade statement of divergence

- 24 The Financial Secretary to the Treasury, Lord Livermore, is of the view that the Bill as introduced into the House of Commons does not contain provision which, if enacted, would affect trade between Northern Ireland and the rest of the United Kingdom. Accordingly, no statement under section 13C of the European Union (Withdrawal) Act 2018 has been made.

## Related documents

- 25 The following documents are relevant to the Bill and can be read at the stated locations:
  - PAC Concordat, contained in Annex 2.3 of Managing Public Money – May 2023<sup>6</sup>
  - G7 Leaders' Communiqué – 14 June 2024, The G7 Summit, Apulia, Italy<sup>7</sup>
  - UK Government issued press release to accompany UK contribution announcement – 22 October 2024<sup>8</sup>
  - Written Ministerial Statement by Chancellor of the Exchequer to accompany UK contribution announcement – 22 October 2024<sup>9</sup>
  - Defence Secretary Oral Statement to Parliament – 22 October 2024<sup>10</sup>
  - Regulation implementing the Ukraine Loan Cooperation Mechanism (ULCM), adopted by the European Parliament and Council of the European Union – 24 October 2024<sup>11</sup>

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<sup>6</sup> [assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing\\_Public\\_Money\\_-\\_May\\_2023\\_2.pdf](https://assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing_Public_Money_-_May_2023_2.pdf).

<sup>7</sup> [g7italy.it/wp-content/uploads/Apulia-G7-Leaders-Communique.pdf](https://g7italy.it/wp-content/uploads/Apulia-G7-Leaders-Communique.pdf).

<sup>8</sup> [gov.uk/government/news/uk-strengthens-national-security-and-bolsters-ukraines-war-chest-with-226-billion-military-loan](https://gov.uk/government/news/uk-strengthens-national-security-and-bolsters-ukraines-war-chest-with-226-billion-military-loan).

<sup>9</sup> [questions-statements.parliament.uk/written-statements/detail/2024-10-22/hcws153](https://questions-statements.parliament.uk/written-statements/detail/2024-10-22/hcws153).

<sup>10</sup> [gov.uk/government/speeches/defence-secretary-oral-statement-on-war-in-ukraine-22-october-2024](https://gov.uk/government/speeches/defence-secretary-oral-statement-on-war-in-ukraine-22-october-2024).

- G7 Finance Ministers’ and Central Bank Governors’ Statement – 25 October 2024, IMF Annual Meeting, Washington DC, USA<sup>12</sup>
- G7 Finance Ministers’ Statement on ERA – 25 October 2024, IMF Annual Meeting, Washington DC, USA<sup>13</sup>
- G7 Leaders’ Statement on ERA – 25 October 2024, IMF Annual Meeting, Washington DC, USA<sup>14</sup>
- G7 Term Sheet – 28 October 2024<sup>15</sup>

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<sup>11</sup> [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202402773](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202402773).

<sup>12</sup> [g7italy.it/wp-content/uploads/G7\\_FMCBG\\_Statement\\_Washington.pdf](https://g7italy.it/wp-content/uploads/G7_FMCBG_Statement_Washington.pdf).

<sup>13</sup> [g7italy.it/wp-content/uploads/G7-Finance-Ministers-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loan-Initiative.pdf](https://g7italy.it/wp-content/uploads/G7-Finance-Ministers-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loan-Initiative.pdf).

<sup>14</sup> [g7italy.it/wp-content/uploads/G7-Leaders-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loans.pdf](https://g7italy.it/wp-content/uploads/G7-Leaders-Statement-on-Extraordinary-Revenue-Acceleration-ERA-Loans.pdf).

<sup>15</sup> [g7italy.it/wp-content/uploads/Annex-Term-Sheet-Key-Features.pdf](https://g7italy.it/wp-content/uploads/Annex-Term-Sheet-Key-Features.pdf).

## Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales		Scotland		Northern Ireland	
	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Legislative Consent Motion process engaged?	Extends and applies to Scotland?	Legislative Consent Motion process engaged?	Extends and applies to Northern Ireland?	Legislative Consent Motion process engaged?
Clause 1	Yes	Yes	No	Yes	No	Yes	No
Clause 2	Yes	Yes	No	Yes	No	Yes	No

### Subject matter and legislative competence of devolved legislatures

- 26 The provisions in the Act extend and apply to England and Wales, Scotland, and Northern Ireland.
- 27 No provisions touch on matters that are devolved to Scotland or Wales, or transferred to Northern Ireland.



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