UKRAINE BUSINESS NEWS

MORNING ECONOMIC DIGEST

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Ukrainian business news and economic trends

Thursday, February 27

📢 TODAY'S HIGHLIGHTS

- **The US is still considering Russia's offered deal to explore Ukraine's occupied territory.**
- **The amount of direct US aid to Ukraine is significantly lower than claimed.**
- **How much aid have Ukraine's allies promised since the year began?**
- **Horizon Capital is considering establishing a fund to encourage investment in Ukraine.**
- **A Ukrainian titanium company is working to attract four American investors.**

POLITICS

The US has not ruled out the Russian mineral extraction proposal from Ukraine's occupied territories. The Russian Federation has offered the US access to rare earth metals and other resources in the temporarily occupied areas of Ukraine, particularly in parts of the Donetsk and Zaporizhia regions. According to NBC, "This would effectively guarantee that Russia will retain parts of the Ukrainian territory it occupies as part of a peace agreement." Currently, the administration of US President Donald Trump has not made any commitments regarding an agreement with Russia but has not dismissed such an option, sources emphasized. At the same time, the Kremlin confirmed President Putin's proposal to cooperate with the US in the extraction of rare earth metals. The Russian Ministry of Natural Resources stated that the country's total reserves of rare earth metals reportedly amount to 658 million tons, which include 29 types of metals, 15 of which are rare earths. Putin also highlighted that Russia is prepared to offer the US cooperation not only within its territory but also in the "occupied territories" of Ukraine, specifically in the Donbas.

AID

The US State Department is working to release additional funds for Ukraine. Senior officials at the State Department are preparing a list of further exemptions to the foreign aid freeze for Ukraine that could allow it access to some economic and security assistance currently that is currently on hold, according to Politico. If approved, these exemptions would expand beyond those authorized by Secretary of State Marco Rubio for "vitally needed" aid to support programs such as mine clearance and narcotics control. Politically, discussions about widening exemptions for Ukraine suggest divisions within President Donald Trump's team regarding how to approach Ukraine. The plans for these exemptions date back at least to late January, shortly after the Trump administration implemented a broad freeze on foreign aid. The proposed exemptions encompass programs ranging from general economic support to landmine clearance, drug control, healthcare initiatives, and support for democratic institutions. The State Department requires each program to provide evidence demonstrating that it meets the exemption criteria.

AID

Analysts: The amount of direct US aid to Ukraine is significantly lower than what politicians claim. Over three years of full-scale war, the total financial aid that Ukraine has received from the US has reached $50.9B. Of this, $18.3B is military aid, while the remaining $32.6B consists of direct budget support and loan guarantees. According to the Economists for Ukraine study, the US government estimates its military aid at $65.9B, but in reality, the amount is only $18.3B. These discrepancies arise from three factors:

- Most military aid has come in the form of existing equipment from US warehouses, making its value at least 60% less ($12.5B) than what was stated.
- In cases where the aid involved ordering new equipment, the US imposed significant restrictions on Ukraine's choice of weapons and their use, with some transfers of equipment still pending. The real value of this aid is estimated at $5.5B.
- About 25% of military aid has been provided as loans, not grants.

In terms of financial support, the US has provided nearly $31B through World Bank accounts. A portion of this money has been allocated for fund administration and program audits, along with the World Bank's overhead costs.

UBN NETWORK
WAR & INVESTMENTS
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AID

How much aid have Ukraine's allies promised since the start of the year? The EU and 11 other countries have announced military, financial, and humanitarian support packages for Ukraine since the beginning of the year. Here are new packages and previously announced support:

- **The EU** committed to providing €35B in financial assistance through the G7 ERA credit initiative and the Ukraine Facility program.
- **The US** revealed its latest military aid package assembled under President Biden: The €500M package includes additional air defense missiles, ammunition, and equipment for F-16s.
- **The UK** will allocate €5.4B in military assistance to Ukraine this year, with a €200M package announced at the last Ramstein conference.
- **Canada** will provide €3.4B in financial support through the G7 package, and transfer 25 LAV II infantry fighting vehicles, a landing system for F-16 fighters, flight simulators, ammunition, and military equipment.
- **Norway** will spend over €2B on military aid and more than €1B on humanitarian aid.
- **Switzerland** has approved €1.6B for Ukraine's reconstruction and development in 2025-2028. This program is the first phase of a €5.3B aid initiative announced last year.
- **Sweden** has already announced military aid deliveries twice this year, making this the largest package in three years, at €1.2B, along with a transfer air defense systems worth €100M.
- **Spain** will allocate €1B for military aid this year.
- **Denmark** confirmed the transfer of 12 of the 19 promised F-16 fighters and will deliver the remaining aircraft within the year. The country has also set aside €200M for military aid and €50M for humanitarian assistance.
- **Poland** announced military aid totaling €200M, while **Finland** pledged a matching amount of support.

WAR

Ukraine attacked a key Russian port and seized control of an important village near Pokrovsk. The seaport in Tuapse was targeted by Ukrainian drones on the night of February 26; the seaport is located in the Krasnodar region and plays a crucial role in Russia's energy sector. It is one of Russia's key ports in the Black Sea, home to one of the largest oil terminals in the Russian Federation. Oil and petroleum products are transported through this port, which also handles significant volumes of coal, mineral fertilizers, metal products, and grain, serving as a logistics hub and connected to a railway network. The port is vital for military logistics as it facilitates the transport of equipment, ammunition, and fuel for military operations. It supports the logistical needs of the Russian Black Sea Fleet, which is engaged in the conflict against Ukraine. Also, Ukraine's airborne forces took control of the settlement of Kotlyne and pushed the enemy back from the settlement in the Pokrovsk direction of the Donetsk region. Losing this settlement to the Russians would have enabled the occupiers to access the Pokrovsk-Dnipro highway, which is strategically important for Ukrainian forces.

DEMINING

Ukraine will receive €700M for a long-term demining program. According to the Ministry of Defense, international partners will allocate this amount to Ukraine to purchase equipment for demining operations as part of a long-term program that has been operating since last year and is scheduled to last until 2034. Financing discussions took place at the 11th meeting of the Demining Coalition. The parties also agreed on priorities for the coalition's procurement of weapons, military equipment, and necessary supplies for 2025. Reports indicate that material and technical resources valued at €16.1M were acquired in the last quarter of the previous year. The budget for 2025 is projected at €130M. As of February, €51M has already been gathered to finance demining projects. Furthermore, coalition participants from 15 countries have expressed interest in sharing the experience gained by the Ministry of Defense and the Armed Forces of Ukraine over three years of extensive conflict. Specifically, the established working groups will explore new methods for maintaining and servicing engineering barriers, along with innovations in mine action, such as the use of UAVs and AI during non-technical surveys.

EU-ENERGY

The EU plans to cut energy imports by €45B by the end of the year. The European Commission is set to present a plan to support European industry, which is struggling with weak demand, cheap imports and higher energy costs than in the US and China. The initiative includes proposals to hasten the granting of permits for renewable energy projects, modify how energy tariffs are set, and increase state aid for clean industries and more flexible electricity generation. Together, these measures could reduce the EU's imported oil and gas costs by €45B by the end of 2025 and help achieve annual savings of €130B by 2030. Most of the savings will come from faster renewable energy development and increased energy efficiency. EU spending on fossil fuel imports fell to €163B in 2020 during the pandemic before peaking at €604B in 2022 after Russia cut gas supplies and gas prices soared. Last year, the EU imported €21.9B worth of oil and gas from Russia, which helped the aggressor to fuel its war against Ukraine.

ENERGY

Naftogaz has secured external financing for gas purchases, and private energy traders are also participating in the importation. Naftogaz Group will receive funding from Norway through the EBRD for gas procurement. This financing is part of a broader assistance package designed to bolster Ukraine's energy security. In total, Norway is providing around €380M for gas purchases, the restoration of power grids, emergency generators, and nuclear safety. Meanwhile, Ukraine's largest private energy company, DTEK, plans to announce an agreement to import LNG within two months. The company is in discussions with several sellers, including those from the US, to finalize a two-year supply contract. DTEK is also negotiating 10 to 20-year agreements with suppliers, including producers from the Middle East. The company estimates that Ukraine will need to procure between one billion and two billion cubic meters of gas from abroad this year to prepare for the upcoming heating season. However, the precise volume will depend on the rate of gas infrastructure restoration, production levels, and weather conditions.

INVESTMENTS

Horizon Capital is considering the establishment of a fund to attract investment to Ukraine. The American private equity firm, one of the largest in the Ukrainian market, is exploring the creation of a catalyst fund designed to invest in Ukrainian companies alongside major foreign investors seeking expertise in the Ukrainian market, according to the CEO and Founding Partner, Lenna Koszarny. She noted that she has been working in Ukraine for 30 years, and Horizon Capital has demonstrated the professionalism and effectiveness of its investment strategy. Currently, the company's total assets under management amount to $1.6B. As a case study for this strategy, she mentioned investment in the telecommunications group Datagroup-Volia-lifecell, where French billionaire Xavier Niel, NJJ's investment holding company, holds an 85% stake, and Horizon Capital owns 10%. Kosharna asserted that the company knows how to catalyze significant investment, which is also integral to its strategy. Consequently, Horizon Capital can co-invest in Ukrainian companies alongside foreign investors while providing them with its expertise.

INVESTMENTS

The construction of two agro-processing plants has begun in Ukraine's largest industrial park, with two more planned. These two new agriculture processing plants are being developed in the Carbon-Neutral Eco-Agro-Hub Podillia-Horodok industrial park (Khmelnytskyi region), which currently spans 150 hectares, making it the largest in Ukraine. Foundation piles have already been installed on the grounds designated for future oil and bioethanol production facilities, and the next step involves constructing industrial buildings. The investor for this project is Ukraine's largest hypermarket chain, Epicenter. Meanwhile, land preparation is ongoing for the site planned to host two additional processing facilities for biogas and animal feed production. Furthermore, there are plans to construct a thermal power plant powered by sunflower husks and a solar power plant covering an area of 30 hectares. The industrial park is expected to create 780 jobs. The completion of construction and the commissioning of the entire complex of agro-processing enterprises and power plants, along with the installation of engineering infrastructure and the laying of seven kilometers of railway, is scheduled for 2026.

INVESTMENTS

A Ukrainian titanium company is working to attract four American investors for projects in Ukraine. Velta, a Ukrainian titanium company, is actively negotiating with four potential American investors regarding joint mining and processing projects in the country, said the company's CEO, Andriy Brodsky. "I hope we will be able to share great news soon," he noted. According to him, the Ukrainian company is considering two cooperation formats, either allowing American investors to contribute directly to the company's capital or creating joint ventures for the development of new deposits and titanium processing. "The Americans want to have direct control or participation in projects rather than simply being buyers of raw materials," Brodsky added. He also mentioned that Velta Holding US Inc., Velta's parent company, has temporarily set aside plans to construct its own titanium plant in the US, with insufficient funding being the primary reason. Last year, Velta Holding signed an agreement with the Export–Import Bank of the US for a $60M loan to build a factory in the US However, to initiate the construction project Velta must provide additional financing, as at least $100M is needed to implement the project.

🔥 HOT DISCUSSION POINTS

- **Last year, Ukraine's energy import costs surpassed export revenues by a staggering 44 times.** In 2024, Ukraine imported $8.9B in fuel and energy products, representing a decrease of $1.47B, or 14.2%, compared to 2023. In contrast, export revenues nearly halved, dropping from $390M to $200M.

- **Ukraine increased its exports of grains and oilseeds by $1.3B.** In July-January of the 2024/2025 marketing year, Ukraine exported grains and oilseeds worth $11B, which is $1.3B more than during the same period last season.

- **Kyiv is working to engage Turkish companies in reconstruction efforts.** Ukraine provided Turkey with the planned reconstruction projects for 2025 during a meeting between representatives from both countries. Tenders for these projects are expected to be announced in April and May. The reconstruction of customs checkpoints, the construction of new highways, and the establishment of a nationwide toll highway system have been identified as priority areas for reconstruction efforts.

- **The Ministry of Finance raised another ₴11.9B from the sale of government bonds.** The Ministry of Finance offered hryvnia government bonds at 15.85% with repayment in 1.4 years, at 16.95% with repayment in 2.4 years, and at 15.77% with repayment in 3.4 years.

- **Russian Foreign Minister Sergei Lavrov said that delegations from Russia and the US will meet in Istanbul** on Thursday to discuss restoring operations at their respective embassies; the issue of Russia's frozen assets will remain on the agenda at the Ukraine talks.
- **Germany has ruled out the possibility of Russia's return to the G7.** German Finance Minister Jörg Kukis does not believe it is possible for Russia to return to the G7, as US President Donald Trump has suggested.
- **US aid to Ukraine will persist until an agreement with Russia is reached, according to US President Donald Trump.** He stated that the US is currently not supplying Ukraine with anything. Trump also mentioned that in the future, European countries will "largely" bear the responsibility for providing Ukraine with defense assistance.
- **Ukrainian metallurgists demonstrated the highest growth rates in global steel production.** In January 2024, compared to the same month in 2023, Ukraine boosted its steel production by 12.3% to 0.61 million tons, securing 20th place among 71 countries listed in the Worldsteel international association's ranking of steel producers.

EDITOR'S NOTE

What to make of the rare earth deal?

Its excellent news for Ukraine…at this point.

We need to bear in mind that Trump's focus on the rare earths deal was primarily related to placating his core support base domestically. Within less than a week they had proposed an extreme deal, which was quickly rejected by Zelenskyy, and were forced to backtrack in order to come to a deal. Trump softened the terms in order to reach a deal to protect himself at home.

Politically, this episode shows that Trump is not opposed to supporting Ukraine and is not necessarily siding with Russia, despite some evidence to the contrary lately. Instead, this past week indicates that Trump's team is preparing their domestic support base for a continuation of support to Ukraine despite having signaled to his voters that support could potentially end.

Trump and his team are already selling this deal as a major victory for the US. And for Ukraine, they cleared another obstacle – questionable US support for Ukraine – towards coming to a deal that is favorable to Ukraine.

And most importantly, Trump also confirmed the intention to provide further military aid to Ukraine as a result of this deal.

Ultimately, Ukraine is in need of further military support from the US and credible security guarantees in some form from the West. This deal appears to have done the first and may contribute to some US involvement in a security guarantee led by Europe in the future. So, there is a reason to stay positive.

Best Regards, the UBN team.

Best Regards,
Andrew Pryma
UBN Founder

Help our editor's team to release as much news as possible.

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