

EU eyes fee for UK arms producers to benefit from €90bn Ukraine loan

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Good morning. In today's bumper edition: the latest proposal for what weapons Ukraine can buy with the EU's €90bn loan; a plea by former prime ministers for Brussels to use its trade bazooka against the US; and the dangers of landfill for emissions-reduction goals.

Pay to play

London could gain access to €60bn worth of arms contracts — if it's prepared to buy an entry ticket, **writes Paola Tamma**.

Context: EU ambassadors resume negotiations on a €90bn loan to Ukraine today, with one central issue undecided — which countries can Kyiv procure weapons from and under what conditions?

Under the European Commission proposal, Ukraine can use two-thirds of the loan to primarily buy arms from itself, EU and EFTA countries, and only buy from others — such as the US — if there is no home-made alternative or if the delivery time is “significantly shorter”.

But a group of countries including Germany, the Netherlands and Poland want the UK included in the first group.

Under a compromise by the Cypriot presidency of the Council seen by the FT, the Commission would authorise procurement of systems including interceptors, missiles, drones and fighter jets from countries with a security and defence partnership with the EU and providing military and financial support to Kyiv “in a significant manner”. People briefed on the negotiations said that would cover the UK.

France has insisted countries contribute financially to benefit. A new compromise circulated ahead of today suggested London would have to participate in the interest costs associated with the loan, estimated by the Commission at around €20bn.

If envoys agree, the Commission would have the task of negotiating a fair fee with London.

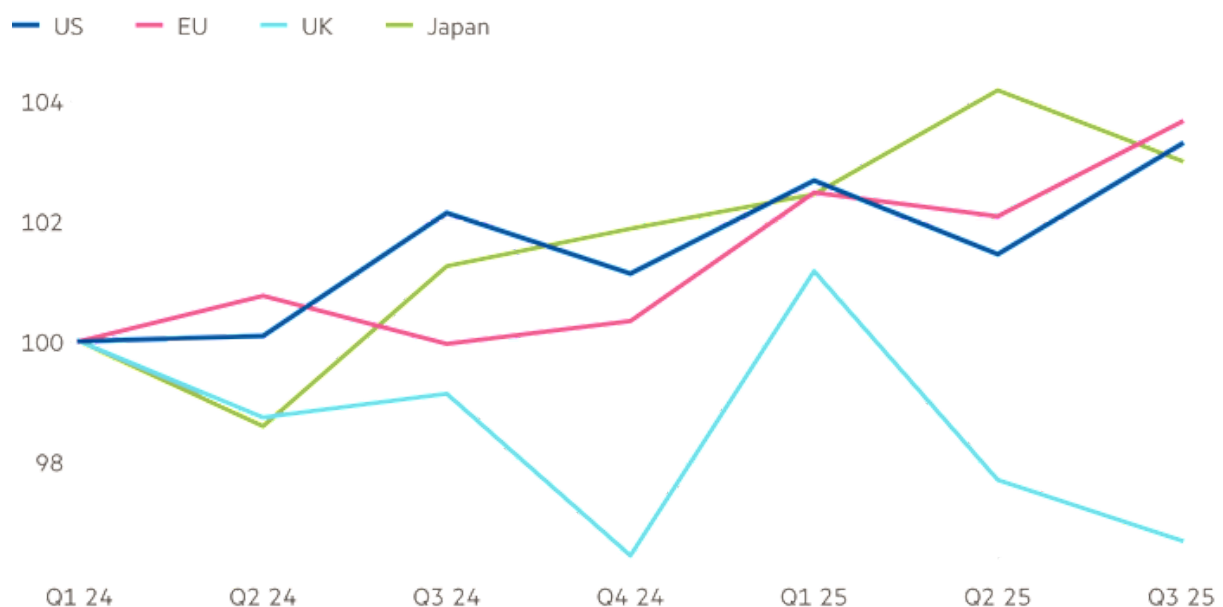
This would be the second time the bloc seeks a pay-to-play arrangement with the UK, after talks to join the €140bn Security Action for Europe (Safe) loans-for-arms scheme broke down last year.

London has said it is keen to join a second iteration of the scheme if it were launched. EU and UK representatives will hold fresh talks today to attempt to reach an agreement on conditions to allow more UK participation in EU programs in a bid to deepen military and economic co-operation.

Chart du jour: Resilient

EU exports have outpaced rivals amid Trump tariff turmoil

Export volumes



Q1 2024 = 100

Source: Bruegel based on OECD

EU export volumes have grown over the past 18 months despite global trade turmoil, according to Bruegel's new Global Trade Tracker launched today.

Triggered

A group of former prime ministers and presidents is urging the European Commission to trigger its trade bazooka against the US, even though the immediate threat against Greenland has diminished, **writes Barbara Moens.**

Context: The threats by President Donald Trump to seize Greenland from Denmark, a Nato ally, continue to reverberate. While officials and diplomats are relieved Trump stepped back from his immediate threats, many fear this is a temporary truce rather than a definitive conclusion.

Now, over 20 former heads of state and government from the Club de Madrid organisation are urging Commission president Ursula von der Leyen to still trigger the bloc's anti-coercion instrument (ACI), according to a letter seen by the Financial Times.

The signatories, which include former Dutch prime minister Jan Peter Balkenende and former French prime minister Dominique de Villepin, argue the broader threat of new tariffs in retaliation for the enforcement of Europe's digital regulation remains. The US government has repeatedly criticised the bloc's Digital Markets Act and Digital Services Act, which aim to curb the market power of Big Tech.

The ACI has never been used since its adoption in 2023. The tool includes investment restrictions and can block corporate access to the single market.

"The integrity of the European legal order hinges on the assurance that EU regulations are implemented without any outside interference," they wrote to von der Leyen.

"This is particularly true of laws designed to protect European democratic institutions and fundamental freedoms," they added. "As you stated in April, Europe's rules on digital media and market power must remain inviolate. Europe's powerful Anti-Coercion Instrument is designed precisely for these situations. Delaying its use invites further encroachment."

Bad gas

Methane emissions from landfill sites could burn through the EU's climate goals as a new study suggests they have been underestimated by policymakers, **writes Alice Hancock**.

Context: The EU is legally bound to cut its greenhouse gas emissions to net zero by 2050. Over a 20-year timescale methane is 80 times more potent than carbon dioxide at trapping heat. It has been responsible for an estimated 30 per cent of the world's warming since the industrial revolution.

A study by German research institute ifeu and Prognos Consulting suggests that even if an EU-wide limit of only 10 per cent of municipal waste going to landfill by 2035 was implemented, landfill sites would still emit around 700mn tonnes of CO₂ equivalent of methane — roughly equivalent to 230 coal power plants.

The report is backed by industry body European Suppliers of Waste-to-Energy Technology (ESWET), who fear discussions over the inclusion of the waste-to-energy sector in the EU emissions trading system could result in more waste going to landfill.

"If residual waste is diverted from controlled treatment without fully considering the much higher methane impacts of landfilling, Europe risks locking itself into a higher emission trajectory and making its methane reduction goals unattainable," said

ESWET president Siegfried Scholz.

The EU emissions trading system is due to be reviewed this summer.