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The Russia–Ukraine War in 2026: Military, Political, Economic and Humanitarian State of Play

The fifth year of Russia's full-scale invasion has brought a slowing Russian advance, Ukrainian counteroffensives in the south, a deep-strike campaign that triggered a Russian fuel crisis, and diplomacy that stalled again — with no ceasefire in sight and nuclear and economic risks compounding.

51 min read · 35 sources

2026 Black Sea deep strike campaign fuel crisis humanitarian crisis military situation nuclear risk peace negotiations war economy

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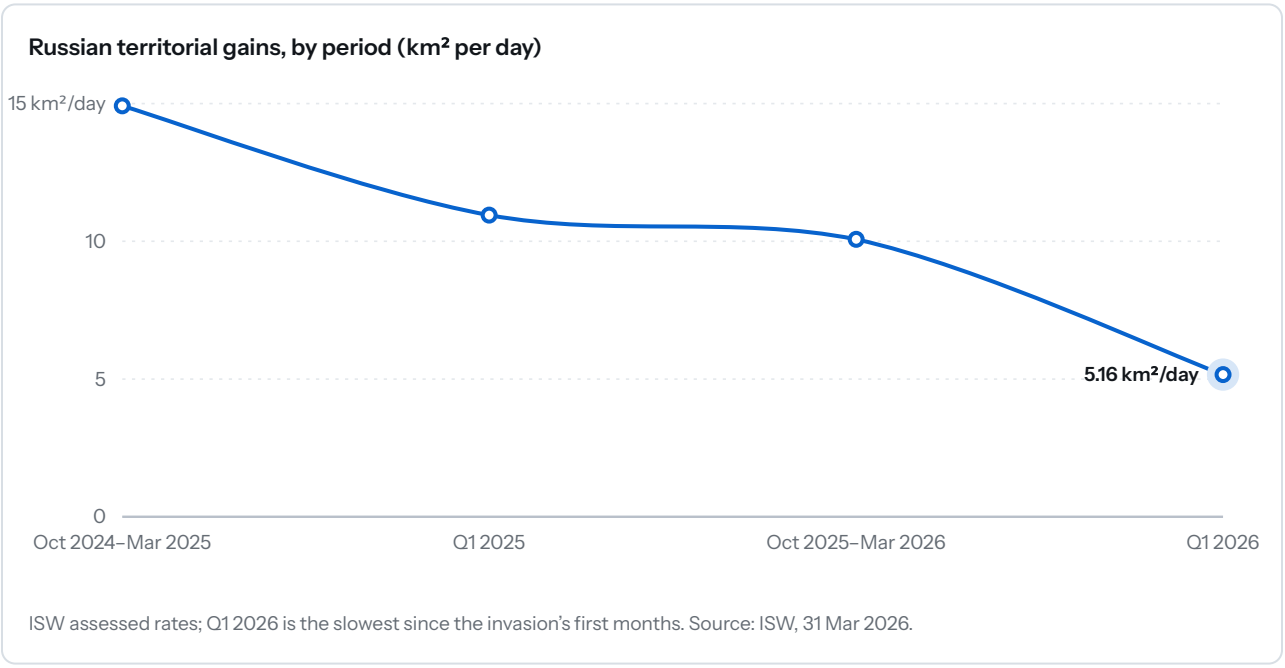
The War in 2026 at a Glance

Russia's full-scale invasion of Ukraine entered its fifth year on 24 February 2026 with no end in sight. The war has settled into a grinding, attritional positional conflict along a roughly 1,000-kilometre front, with Russian forces holding just under one-fifth of Ukraine's territory (about 19–20% including Crimea and pre-2022 occupied parts of Donbas) and making slow, costly gains measured in square kilometres per day rather than cities per month[1][2]. The defining features of the fifth year are threefold: Ukrainian counteroffensives in the south that produced the largest Ukrainian territorial gains inside Ukraine since 2023; a Ukrainian long-range strike campaign that has pushed Russia into a domestic fuel crisis affecting roughly 35% of its population; and a diplomatic track — Abu Dhabi, Geneva, a failed three-day truce in May — that has repeatedly stalled on Russia's maximalist demands[3][4][5].

~19–20%	1.35M+	€2B+/mo	3.7M	0.4%
of Ukraine under Russian control	Russian losses, Ukrainian claim (May 2026)	Western military aid to Ukraine, 2026	internally displaced Ukrainians	Russia's 2026 GDP growth forecast
incl. Crimea	UK MoD: 1M+ casualties	down from €2.5B	5.9M refugees abroad	cut from 1.2%



ISW assessed rates; Q1 2026 is the slowest since the invasion's first months. Source: ISW, 31 Mar 2026.

The military situation as of early August 2026: Russian forces have captured most of Pokrovsk and Myrnohrad in Donetsk Oblast — the long-awaited prize of the Pokrovsk offensive — but have not converted that into a wider breakthrough, and the UK Ministry of Defence assessed on 12 May 2026 that operational momentum has shifted toward Ukraine[1]. Ukraine's Armed Forces General Staff estimated Russian personnel losses at approximately 1,350,010 as of 18 May 2026; the UK MoD put Russia's total casualties above one million "for about 1 percent of Ukrainian territory" gained[1][6]. Zelensky has since given his own figures: about 50,000 Ukrainian service members killed and 400,000 wounded, versus roughly 1.6 million Russian casualties including 700,000 killed[7].

On the political side, a United States-brokered three-day truce around 9–11 May 2026, timed to Russia's Victory Day, collapsed within hours amid mutual accusations of breaches, and no durable ceasefire is in place[8][9]. The International Atomic Energy Agency reported in May that the Russian-occupied Zaporizhzhia nuclear plant had operated on a single backup power line for more than seven weeks; by August the line was still the plant's only external power[10][11]. On 5 February 2026 the New START treaty expired, leaving no treaty-bound limits on US and Russian strategic nuclear arsenals for the first time since 1972[1].

This report covers the military, political, economic and humanitarian dimensions of the war as of mid-August 2026: how the front arrived at its current shape, what changed in 2026, the economics on both sides, the human cost, and where the conflict appears to be heading.

How We Got Here: 2022–2025 Recap

Russia's invasion of Ukraine began with a multi-front assault on 24 February 2022. Armoured columns advanced on Kyiv, Kharkiv, and the Donbas, but the northern front collapsed within weeks: Ukrainian forces drove Russia back from Kyiv, Chernihiv and Sumy by April 2022, and the retreat was followed by the discovery of mass graves and evidence of atrocities in Bucha. Russia then concentrated on the east and south, capturing Mariupol after a months-long siege and pushing deep into Luhansk Oblast through the summer. Two Ukrainian counteroffensives in the autumn of 2022 — the Kharkiv counteroffensive in September and the liberation of Kherson city in November — recaptured thousands of square kilometres and produced the war's most dramatic territorial swings[12].

The following year was defined by attrition. The battle of Bakhmut (summer 2022 to May 2023) became a meat-grinder that Russia ultimately took at enormous cost, and Ukraine's long-awaited 2023 counteroffensive along the Zaporizhzhia axis stalled against dense minefields and prepared defences, failing to reach the Sea of Azov or cut the land bridge to Crimea. Russia regained the initiative in 2024, capturing Avdiivka in February 2024 after months of fighting and pushing through a series of Donetsk towns — Ocheretyne, Toretsk, Krasnohorivka, Vuhledar, Kurakhove — as the year progressed[13].

Two developments in 2024–2025 reshaped the war. In August 2024, Ukraine launched a surprise incursion into Russia's Kursk Oblast, occupying roughly 800–1,000 km² of Russian territory at its peak

and capturing the town of Sudzha — the first occupation of Russian territory by a foreign army since World War II. It forced Russia to divert an estimated 50,000–60,000 troops away from the Donbas front and, from October 2024, drew in North Korean forces (peaking at an estimated 10,000–12,000 by December 2024) in Russia's first use of foreign allied troops in the war[14]. Ukraine withdrew from most of the salient in a planned, orderly manner in February 2025, with Russian forces formally reclaiming the region by mid-March 2025; Putin ordered the region "fully liberated… in the shortest possible time" during a 12 March visit[14][15].

The second defining development was Russia's adoption of infiltration tactics and massed infantry assaults to grind forward in Donetsk. Through 2025 Russian forces captured a chain of towns — Velyka Novosilka, Novopavlivka, and parts of the Pokrovsk axis — while Ukraine remained mostly on the defensive for the first time since 2022. The Russian advance toward Huliaipole in southern Zaporizhzhia Oblast, which began in September 2025, ended with Russia capturing the city and 42 villages in January 2026[16]. At the same time, Ukraine's deep-strike campaign against Russian oil infrastructure — launched in earnest in 2024 — escalated sharply, and in November 2025 Russia used the intermediate-range Oreshnik ballistic missile against Dnipro (and later, in early 2026, against the Lviv region near the Polish border), an escalation widely read as signalling[3][17].

Politically, the period was dominated by the return of Donald Trump to the US presidency and his push to end the war. Trump met Putin at the Alaska Summit in August 2025 — an event Russia has since repeatedly invoked as the basis for alleged "Anchorage agreements" that US officials say never existed — and US envoy Steve Witkoff drafted a 28-point peace plan that was revised with Kyiv into a 20-point framework by December 2025[3][18]. None of these initiatives produced a ceasefire, and Russia's demands — full Ukrainian withdrawal from four oblasts, recognition of Crimea and occupied territory as Russian, no NATO membership, and limits on Ukraine's armed forces — remained unacceptable to Kyiv[3].

- 24 Feb 2022 — **Full-scale invasion**
  Multi-front assault on Kyiv, Kharkiv and Donbas.
- Sep–Nov 2022 — **Kharkiv & Kherson counteroffensives**
  Ukraine's biggest territorial gains of the war.
- May 2023 — **Bakhmut falls**
  Russia takes the city after a year-long battle.
- Aug 2024 — **Kursk incursion**
  Ukraine occupies Russian territory; North Korean troops later deployed.
- Feb–Mar 2025 — **Kursk withdrawal**
  Ukraine's orderly exit; Russia reclaims the region.
- Aug 2025 — **Alaska Summit**
  Trump–Putin meeting; no public agreement.

Jan 2026 **Huliaipole falls**

Russia captures the city and 42 villages.

The stage was set for 2026: a Russian army that had held the initiative since 2023 but was running short of willing recruits, an economy straining under sanctions and drone strikes, and a Ukraine that had spent two years on the defensive and was planning to hit back.

The Front Line in 2026: Axes and Control

The front line in mid-2026 runs roughly 1,000 kilometres from the northern border with Sumy Oblast, through Kharkiv and Donetsk Oblasts, down to Zaporizhzhia and Kherson[2]. Russia controls Crimea and parts of Donetsk, Luhansk, Zaporizhzhia and Kherson oblasts; per Russia Matters' analysis of DeepState and ISW data, Russia's total control of Ukrainian territory stood at about 19–20% of Ukraine's 1991 borders as of 4 August 2026, with the area gained since 24 February 2022 equivalent to about 12% of Ukraine[2][19].

Northern Axis: Sumy and Kharkiv

In the north, Russia's objective is to create defensible buffer zones in Sumy Oblast along the international border and to push Ukrainian forces back from the border with Belgorod Oblast, aiming to bring Kharkiv city within tube artillery range. ISW assessed in late July 2026 that Russian forces continued offensive operations in northern Sumy Oblast and the Velykyi Burluk direction but made no confirmed advances, as Ukrainian forces counterattacked[20]. Kharkiv, Ukraine's second city, remained under Ukrainian control but within range of Russian artillery and glide bombs from across the border[2].

Eastern Ukraine: The Donbas

The heaviest fighting is in Donetsk Oblast, where Russia's objective remains capturing the entirety of Donetsk Oblast and advancing into Dnipropetrovsk Oblast[20]. The key event of early 2026 was the capture of most of Pokrovsk and Myrnohrad — the logistics hub and rail junction that had been the focal point of Russia's slow-moving offensive for more than a year. A February 2026 assessment by the Russian Deep State-affiliated map group showed nearly all of Pokrovsk and much of Myrnohrad under Russian control, describing the fighting as "the last battles" for the two cities[21]. Yet ISW's city-level map still listed Pokrovsk as held by Ukrainian forces as of 1 August 2026, and Ukrainian brigades of the 7th Rapid Response Corps were reported in March 2026 to be holding back Russian attempts to fully capture both cities[22][23]. The picture is of a city fought over street by street, with Russia controlling most but not all of it — and with no breakthrough beyond it.

Farther north, the Oskil River line in Kharkiv Oblast (the Kupyansk and Borova directions) remained contested; Ukraine recaptured at least 183 km² in and around Kupyansk in December 2025 and largely held it through mid-2026 despite Russian efforts to reverse the gains[5]. Around

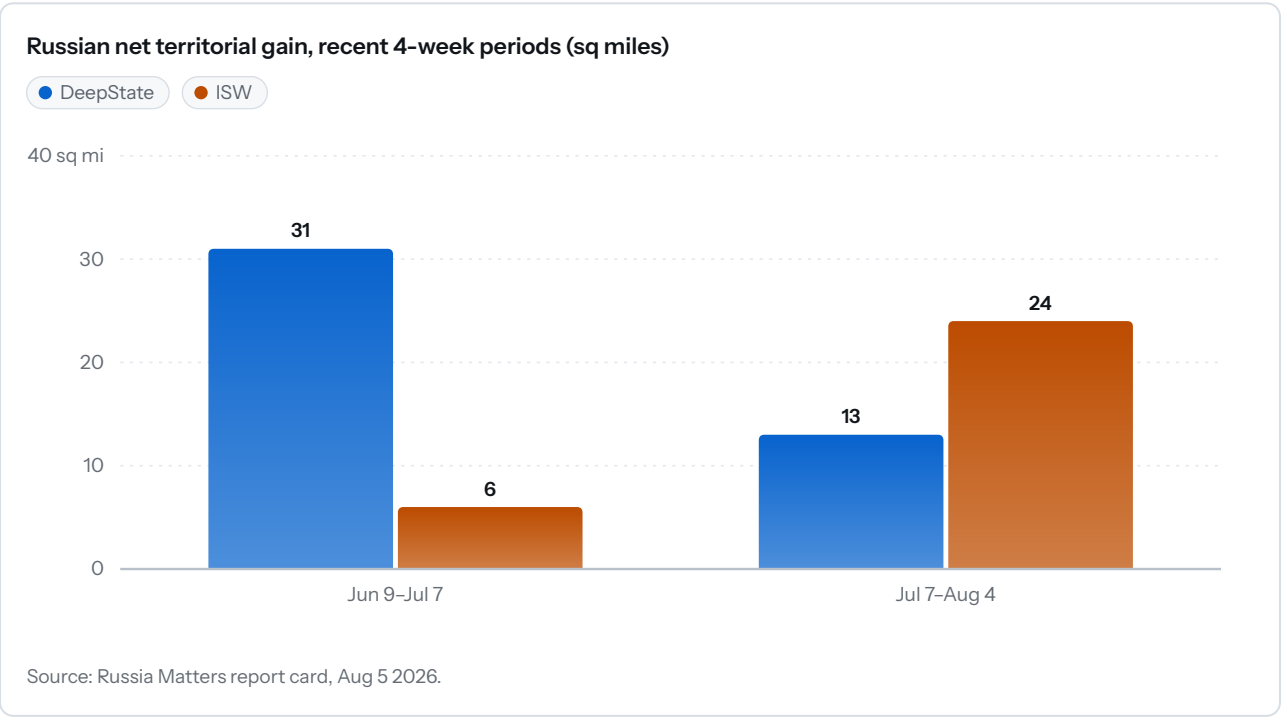
Kostiantynivka and Druzhkivka, ISW assessed in July that Russian forces were conducting infiltration missions and avoiding direct small-arms fighting, relying instead on drones and artillery[20].

Southern Ukraine: Zaporizhzhia and Kherson

In the south, Russia captured Huliaipole in January 2026 after a four-month offensive, taking the city and 42 villages in Dnipropetrovsk and Zaporizhzhia oblasts[16]. That success proved to be Russia's high-water mark in the south: in February 2026 Ukraine launched a counteroffensive from the Oleksandrivka front along the Vovcha River that recaptured territory and stalled the Russian drive toward Dnipropetrovsk Oblast[24]. Zaporizhzhia city and Kherson city both remained under Ukrainian control as of early August, with Kherson shelled from Russian-held positions across the Dnipro River[2].

The Territorial Math

The slowdown in Russia's advance is well documented. ISW assessed that Russian forces seized 1,833.27 km² between 1 October 2025 and 31 March 2026 — an average of 10.07 km²/day — versus 2,715.92 km² (14.92 km²/day) in the same period a year earlier. In the first three months of 2026 the average fell to 5.16 km²/day, about half the 10.95 km²/day of Q1 2025[5]. Russia Matters' tracking shows the slowdown continuing into the summer: over the four weeks from 7 July to 4 August 2026, Russia made a net gain of just 13 square miles (DeepState) or 24 square miles (ISW), and over the past year its total net gain was about 969–1,041 square miles — roughly 0.4–0.5% of Ukraine's territory[19].



Source: Russia Matters report card, Aug 5 2026.

What the numbers mean: Russia holds the initiative overall and is still gaining ground, but the pace has slowed to roughly a third of what it was in 2024–2025, and it is paying for that ground at an

extreme rate. The UK MoD's May 2026 assessment — more than one million Russian casualties for about 1% of Ukrainian territory — captures the exchange rate of the war's fifth year[1][6]. Neither side is close to a decisive breakthrough, and ISW assessed in March 2026 that "significant Russian battlefield gains, let alone total victory, are not imminent nor inevitable"[5].

Ukraine's 2026 Counteroffensives

The most significant military development of 2026 is that Ukraine went back on the offensive. In February 2026, Ukrainian forces launched a local counteroffensive on the southern front with the goal of expelling Russian forces from Dnipropetrovsk Oblast, later extending into Donetsk Oblast to disrupt Russia's planned spring-summer offensive[24]. It marked the first time since the 2024 Kursk offensive that Ukrainian forces made a monthly net gain of territory over Russia, and the largest Ukrainian offensive inside the country since the 2023 counteroffensive[24].

The Oleksandrivka Front

The counteroffensive was launched by the Ukrainian Air Assault Forces from their positions along the Vovcha River in eastern Dnipropetrovsk, an axis Ukrainian forces call the "Oleksandrivka front" after the settlement south of Pokrovske. In the first week of fighting, Ukraine recorded its biggest territorial gains since June 2023. Ukrainian forces pushed Russian troops out of Oleksiivka and Vyshneve, penetrated Russian defences along the Yanchur River reaching toward Zlahoda, and captured the village of Vidradne[24]. By 15 February, military observers reported Ukrainian forces had taken eight settlements in the Oleksandrivka direction, with geolocated footage showing Ukrainian units advancing south of Verbove by 25 February[24].

Zelensky told AFP that the army recaptured 300 square kilometres on the southern front; Commander-in-Chief Oleksandr Syrskyi later said the Armed Forces of Ukraine had regained control over 400 square kilometres in the south[24]. ISW's March assessment corroborated the scale: "Ukrainian forces reportedly liberated over 400 square kilometers in the Oleksandrivka and Hulyaipole directions from late January 2026 to mid-March 2026 in two separate drives"[5].

Doctrine: Hitting Where Russia Is Weak

Syrskyi explained the approach on 30 March 2026: Ukrainian forces are prioritizing counterattacks in areas where Russian forces are weakest, in order to retake and maintain the operational and strategic initiative[5]. The doctrine has had cascading effects. Ukrainian counterattacks in the south forced Russia to choose between defending against them and allocating manpower and materiel to offensive operations elsewhere on the front — a dilemma that ISW assessed "likely imped[ed] Russian efforts to advance" theater-wide[5].

The counteroffensive also exploited a Russian weakness that emerged in 2025: Russia's shift to infiltration tactics. Small Russian groups infiltrating behind Ukrainian positions worked well while Ukraine was static, but the tactic left Russian forces exposed to counterattack before they could

consolidate. ISW noted that Russian forces "have struggled recently to consolidate their infiltrations, which partially enabled Ukrainian counterattacks in southern Ukraine in February 2026" [5].

Kupyansk and the Kursk Echo

Ukraine's other notable 2026 gains came at Kupyansk in Kharkiv Oblast, where Ukrainian forces retook at least 183 km² in December 2025 and held them through the winter and spring despite Russian attempts to reverse the gains [5]. In Russia, Ukrainian forces continued to hold a small strip of territory in Kursk and Belgorod oblasts — about 2 square miles as of early August 2026, a residue of the 2024 incursion [19].

What the Counteroffensives Did Not Achieve

The limits matter as much as the gains. The 2026 counteroffensives did not collapse the Russian front or reach the Sea of Azov; they were local drives in a war where both sides measure progress in villages and tree lines. ISW's caution in March — that Ukrainian counterattacks demonstrate Ukraine "is capable of conducting successful counterattacks… and contesting the battlefield initiative in some sectors" — was carefully worded: contesting the initiative in some sectors is not the same as seizing it theater-wide [5]. The gains were also costly: Ukraine's Air Assault Forces, the spearhead of the Oleksandrivka drive, were committed in strength, and Ukrainian casualties continued to mount through the spring (see the humanitarian section).

- **Dec 2025** — **Kupyansk recapture**
  Ukraine retakes ~183 km² around the city.
- **Late Jan 2026** — **Southern counteroffensive begins**
  First drive from the Oleksandrivka front.
- **11 Feb 2026** — **Counteroffensive confirmed**
  Air Assault Forces push along the Vovcha River; biggest gains since 2023.
- **15–25 Feb 2026** — **Eight settlements taken**
  Ukraine reports 300–400 km² liberated in the south.
- **Mid-Mar 2026** — **Second drive**
  Additional gains in the Huliaipole direction.

For the Kremlin, the counteroffensives were an acute embarrassment after months of claiming Ukraine was on the verge of collapse. In March 2026 the Kremlin demanded that Ukraine withdraw from the remainder of Donetsk Oblast within two months — including from the heavily fortified "Fortress Belt" — a demand ISW assessed as part of a cognitive warfare effort to "aggrandize Russian advances and falsely portray Ukrainian defenses as on the verge of collapse," since Russian forces had proven unable to take those positions on the battlefield [5]. The demand went nowhere, but it framed the peace negotiations that ran in parallel through the spring (covered in the Peace Talks section).

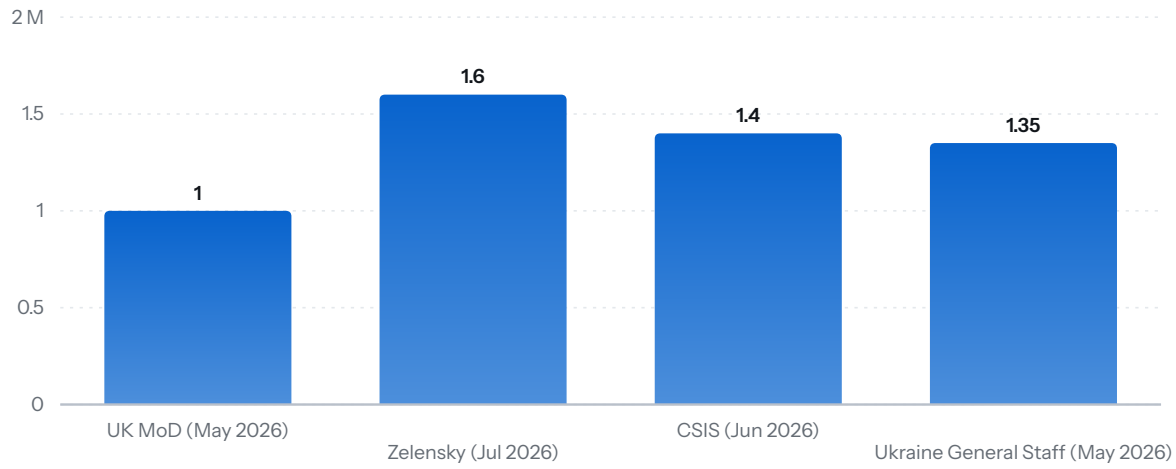
Russia's Manpower Crisis and Mobilization

Russia's ability to sustain the war is increasingly constrained by manpower. The Russian recruitment rate fell below its casualty rate for the first time since 2022 in January 2026, and the Kremlin has been forced into a series of increasingly coercive measures to keep the front supplied with soldiers [5].

The Casualty Toll

The scale of Russian losses is contested but uniformly enormous. Ukraine's Armed Forces General Staff estimated total Russian personnel losses at approximately 1,350,010 as of 18 May 2026 [1]. Ukraine's military commander, Oleksandr Syrskyi, was quoted in January 2026 saying that almost 420,000 Russian soldiers were killed and wounded in 2025 alone [6]. The UK Ministry of Defence assessed in May 2026 that Russia had sustained more than one million casualties for about 1% of Ukrainian territory [1]. Zelensky's July 2026 estimate put Russian losses at 1.6 million casualties including 700,000 killed — figures broadly consistent with a February 2026 estimate of 1 million Russian casualties shared by a former high-ranking Western official with Russia Matters [7] [25]. The Washington-based CSIS, in its mid-2026 study, estimated Russia suffered 1.4 million battlefield casualties between February 2022 and June 2026, including up to 450,000 killed [7].

Russian military casualty estimates compared



Definitions differ; see text. Sources: defconlevel, Kyiv Independent, CSIS.

Covert Mobilization

With voluntary recruiting declining — the high one-time signing bonuses that worked in 2024–2025 lost effectiveness in late 2025 — the Kremlin has turned to forced mobilization by stealth. The pattern, documented by ISW and independent media, has three strands:

- **Business quotas.** In March 2026, Ryazan Oblast Governor Pavel Malkov signed a decree requiring medium and large businesses to select employees to sign contracts with the Russian Ministry of

Defence, in force until at least September 2026. Businesses with 150–500 employees must select two to five employees, depending on size. The decree repurposes federal decrees Putin signed in October 2022[5].

- **Street sweeps.** In mid-June 2026, reports from Penza Oblast described large-scale operations in which military commissariats, police and enlistment officers conducted street detentions and door-to-door sweeps, pressuring people — including those with debts or under administrative supervision — to sign contracts. One 61-year-old resident was reportedly suffocated with a bag until he agreed to sign. Analysts viewed the Penza raids as an experiment to test how a future general mobilization might be received and suppressed[26].
- **A shift in rhetoric.** Kremlin officials spent March 2026 setting expectations for slow, costly advances in the spring-summer offensive, a marked change from the triumphant framing of 2024–2025, and prominent Russian milbloggers and ultranationalist voices began openly complaining about the unfavorable battlefield situation[5].

ISW assessed that these measures are "forced covert mobilization efforts that aim to avoid conducting another involuntary call-up of Russian men while continuing to generate manpower," noting that the Kremlin is deliberately structuring the quotas so that businesses or regional governors take the blame rather than Moscow[5].

Morale and the Home Front

The manpower squeeze is feeding public discontent. Independent polling from the Levada Center showed support among Russians for continuing the war fell to its lowest level since 2022 — 25% — in December 2025, with 66% favouring a transition to peace negotiations[3]. The state's response has been to tighten information control: Russia throttled Telegram and blocked Ukrainian use of Starlink terminals — the latter a step that ISW assessed materially degraded Russian command-and-control on the battlefield[5]. The scaled-back Victory Day parade in May 2026 — no tanks, no missile launchers, no armoured vehicles, a fixture since 2017 — was itself a visible admission of strain, with Moscow's internet switched off for the event amid Ukrainian long-range strikes[8][9].

Why It Matters

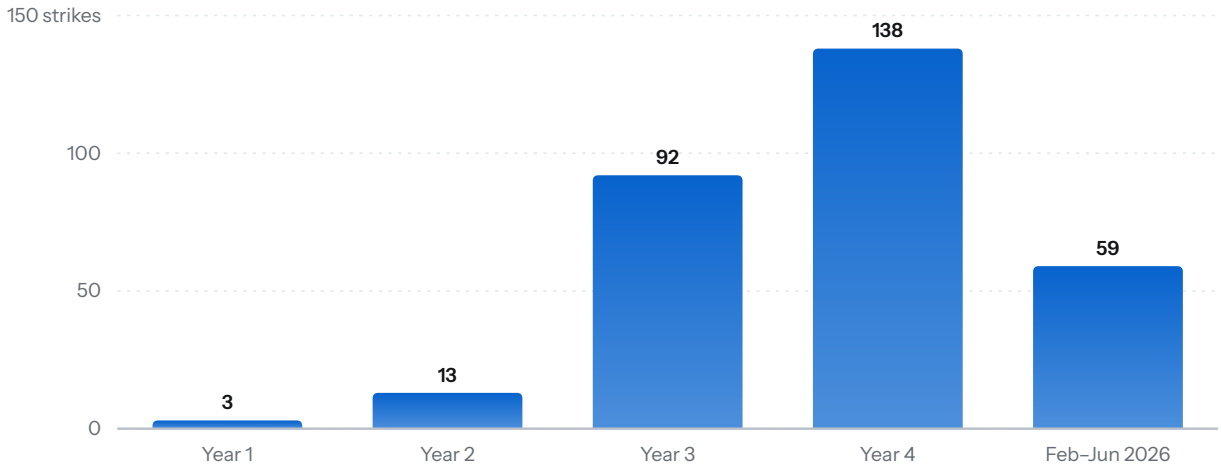
Manpower is the constraint that ties every other Russian problem together. With recruitment below attrition, Russia cannot replace its losses with trained soldiers — hence the reliance on poorly trained and underequipped infantry to make gains, which ISW identified as a key reason Russian advances have slowed[5]. The Kremlin's options are limited: a full general mobilization would be politically explosive and economically devastating, while covert mobilization is slow and builds resentment. For as long as Russian losses run at hundreds of thousands a year, the demographic arithmetic of the war tilts toward Ukraine holding the line and Russia being unable to escalate its offensive tempo without unacceptable domestic costs.

The Deep-Strike Campaign: Russian Oil and Fuel Crisis

If manpower is Russia's internal constraint, fuel is its external one. Ukraine's long-range drone campaign against Russian oil infrastructure — the "deep strike campaign" — has grown from a nuisance into a strategic factor, producing a domestic fuel crisis that by mid-2026 directly affected roughly 50 million Russians, about 35% of the population [27].

The Numbers

According to a CNN analysis of 25 June 2026, Ukraine struck Russian oil facilities more than 300 times between the start of the invasion and that date. The trajectory shows how the campaign escalated: only 3 strikes in the first war year, 13 in the second, 92 in the third, 138 in the fourth, and 59 from February to June 2026 alone — a cumulative total of 305 [27]. The campaign was officially launched in early 2024, and the rate of strikes roughly tripled in the second half of 2025.



Source: CNN analysis, 25 Jun 2026, via Wikipedia.

The Fuel Crisis

The strikes had a cumulative effect that Russia could not repair. By early 2026, sustained Ukrainian drone strikes had knocked an estimated 30–45% of Russia's refinery capacity offline, causing domestic fuel shortages and reducing seaborne product loadings [28]. The crisis escalated through 2026: Russian-controlled Crimea declared a state of emergency in June 2026 and banned fuel sales, with long queues outside petrol stations and tourists unable to find fuel [27] [29]. By July 2026 most of Russia's regions were experiencing fuel restrictions, affecting an estimated 50 million people; a decree allowed certain refineries to lower production quality standards from Euro-5 to Euro-3 gasoline until the end of the year [27].

Individual strikes illustrate the reach of the campaign. On 18 June 2026 the Moscow Oil Refinery at Kapotnya burned after a Ukrainian strike [30]. On 3 June the Saint Petersburg Oil Terminal was attacked, flights from Pulkovo Airport were suspended, and the corvette Boikiy was struck in what was described as a "large-scale fire on the ship's superstructure" [31]. On 12 July the Syzran refinery in Samara Oblast — a major supplier to the Russian military — was hit, as was the Omsk refinery in Siberia, 2,700 km from Ukrainian territory, the previous week [29] [32]. Ust-Luga, Primorsk, Kinef, Novorossiysk and the Ilsky refinery were all struck repeatedly in the spring and summer [5] [31].

The Economic Effect

The campaign is degrading Russia's most important source of export revenue. Bloomberg reported on 31 March 2026 that Ukrainian strikes on the Baltic ports of Primorsk and Ust-Luga reduced Russia's oil income by more than $1 billion in a week, with weekly crude flows down 1.75 million barrels a day — tanker loadings at the two ports fell from 18 (16–22 March) to 6 (23–29 March) [5]. Russia's oil and gas revenues for January–June 2026 fell to just 64% of their level two years earlier [28]. The Kremlin has acknowledged the problem: in June 2026 Putin admitted the country was suffering "a certain shortage" of fuel, and Rosneft head Igor Sechin wrote to Putin proposing measures to maintain supply "in the face of an unprecedented amount of damage" to refineries [33].

ISW's assessment is that the campaign is strategically significant precisely because it attacks Russia's ability to sell oil — its financial lifeline. "Russia's ability to sell oil is partially a function of its ability to transport it, and continued Ukrainian drone strikes will degrade Russia's ability to transport oil, which may partially offset the United States' partial lifting of oil sanctions against Russia" [5].

Operation MoLoChKa

The maritime arm of the deep-strike campaign is Operation MoLoChKa, launched 6 July 2026, targeting the Russian shadow fleet — the ageing tankers that carry sanctioned Russian oil to world markets. By 22 July, Ukrainian Unmanned Systems Forces commander Robert "Magyar" Brovdi reported 196 vessels struck in the Black and Azov seas in 17 days; Wikipedia's tally reached 218 vessels (134 in the Sea of Azov, 84 in the Black Sea) [34] [35]. The operation is covered in detail in the next section, but its fuel-crisis dimension is direct: with tankers burning or refusing to load, Russia cannot move the oil its refineries still produce, and the CPC terminal at Novorossiysk — which also exports Kazakh oil — suspended loadings in July, drawing in Kazakhstan's energy ministry [36] [37].

2024 **Deep strike campaign launched**
Ukraine begins systematic strikes on Russian refineries.

Mar 2026 **Baltic port strikes**
Primorsk and Ust-Luga flows halve; $1B+ lost in a week.

18 Jun 2026 **Moscow refinery hit**
Kapotnya refinery burns; visible to the capital.

Jun 2026 **Crimea state of emergency**
Fuel sales banned; queues at petrol stations.

6 Jul 2026 **Operation MoLoChKa**
Shadow fleet targeted in the Black and Azov seas.

Jul 2026 **50 million affected**
Most Russian regions under fuel restrictions.

The deep-strike campaign is Ukraine's answer to its own lack of manpower: instead of trading soldiers for territory, it trades cheap drones for Russia's export earnings, refining capacity and military logistics — a strategy Zelensky has called Ukraine's "long-range sanctions"[32]. By August 2026 it had demonstrably changed Russia's economic position (see the Russia's Wartime Economy section) without committing a single Ukrainian soldier to the attack.

The Maritime War: Black Sea, Azov and the Shadow Fleet

The war at sea changed more in 2026 than the war on land. Ukraine's naval drones — the same platforms that sank the cruiser Moskva in 2022 and pushed the Black Sea Fleet out of Sevastopol's main anchorage — were turned against Russia's commercial lifeline: the shadow fleet of tankers and cargo ships that carries sanctioned oil and stolen grain to world markets.

Operation MoLoChKa

Launched on 6 July 2026, Operation MoLoChKa ("Milk" in Ukrainian slang) is a campaign by Ukraine's Unmanned Systems Forces using naval and aerial attack drones against Russian shadow-fleet vessels in the Sea of Azov and Black Sea[35]. Its scale is unprecedented: by 22 July, commander Robert "Magyar" Brovdi reported 196 vessels struck in 17 days; the tally reached 218 vessels by early August, with 134 in the Sea of Azov and 84 in the Black Sea[34][35]. The strikes have sunk or disabled tankers, bulk carriers, ferries and patrol boats, with some crews abandoning damaged vessels that drifted — one 13,000-ton cargo ship linked to Russia's state nuclear energy company was sunk in early August[38].

218	196	650k	90
shadow-fleet vessels struck (MoLoChKa)	vessels hit in first 17 days	barrels/day via Novorossiysk terminal	vessels targeted in one week
6 Jul – early Aug 2026	per USF commander Brovdi	suspended 21 Jul	Sea of Azov corridor

The Kerch Strait Closes

The immediate military consequence was the effective closure of the Kerch Strait, the narrow waterway connecting the Sea of Azov with the Black Sea, which Russia had used since 2014 to move military and commercial traffic to and from Crimea. After Ukrainian drones struck two Svetlyak-class

patrol boats in Kerch on 17–18 July and destroyed the FSB Border Service cruiser Izumrud at Gelendzhik on 14 July, the FSB suspended acceptance of transit applications through the strait from 10 July[36]. Russia also suspended civilian shipping through the Don–Azov Shipping Canal connecting the Azov Sea with the Volga–Caspian river network[32][27]. Ukrainian former defence minister Andriy Zagorodnyuk called the loss "a critical maritime corridor": the Caspian Sea, he noted, "doesn't have any connection to the world's oceans. It has turned into a lake" — stranding both commercial traffic and Russia's small Caspian flotilla[32].

Novorossiysk: Russia's Largest Oil Port Halts

The campaign then moved to Russia's biggest Black Sea oil terminal. Sheshkharis at Novorossiysk — through which an average of about 650,000 barrels of oil per day were exported in 2026 — suspended loading of tankers from 21 July[36]. The nearby Caspian Pipeline Consortium (CPC) terminal, which exports Kazakh oil, also temporarily suspended operations due to drone activity[36][37]. Reuters reported that Russia temporarily banned naval vessel movements in and out of Novorossiysk between midnight and 0500 daily, and Kazakhstan's energy ministry said it was limiting oil production to prevent overstocking tank farms[20]. Turkey, which controls the Bosphorus, stopped issuing transit permits for ships bound for Novorossiysk after the strikes on civilian vessels[39].

The Strategy: Isolating Crimea

The maritime campaign is part of a broader strategy to isolate occupied Crimea — "turning it into an island," in the words of Atlantic Council senior fellow Yevgeniya Gaber — by cutting its road, rail, sea and energy links to the Russian mainland[32]. Through June and July 2026, Ukraine systematically struck bridges connecting Kherson Oblast and Crimea over the North Crimean Canal and along the M14, M17 and M18 motorways — fourteen bridges in total, two of which have been called a "Highway of Death" — including the Chonhar road and rail bridges and the Henichesk bridges[31]. Crimea's tourist industry collapsed, electricity blackouts spread, and the peninsula declared a state of emergency in June[27][32].

Gaber summarised the operational concept: "to progressively degrade Russia's ability to sustain offensive operations by disrupting logistics, fuel supplies and transport infrastructure, and cutting off military units in the south of Ukraine." She added: "There is not a single oil refinery that is unhit now… I'm sure we will see more deep strikes on Russian territory"[32].

Costs and Complications

The maritime campaign is not costless or uncontroversial. On 5 June 2026 a stray Ukrainian naval drone exploded in the Romanian port of Constanța, prompting the evacuation of more than 1,300 people; Romania blamed electronic interference by Russia[31]. Five Azerbaijani crew members were killed in strikes on the commercial vessels Natra and Zircon in Taganrog Bay, and the Turkish-flagged fishing boat Duru 67 was sunk off Sevastopol with one sailor killed[31]. These incidents underscore the risk that the shadow-fleet campaign will draw in third-country nationals and vessels, a political liability Ukraine has so far absorbed.

6 Jul 2026 **MoLoChKa launched**
Naval drones target shadow fleet in Azov/Black Seas.

10 Jul 2026 **Kerch Strait transit suspended**
FSB halts applications after patrol-boat strikes.

12 Jul 2026 **Sea of Azov shipping suspended**
90 vessels targeted in under a week; Don-Azov canal closed.

21 Jul 2026 **Novorossiysk halts loadings**
Russia's largest Black Sea oil port suspends tanker loading.

2 Aug 2026 **13,000-ton ship sunk**
Vessel linked to Russian state nuclear company.

By August 2026 the combination of the deep-strike campaign and MoLoChKa had closed or crippled three of Russia's four major export corridors (Baltic ports, Azov, and Novorossiysk), leaving only Pacific routes operating at scale. Russia's ability to export oil — its principal source of hard currency — had become a function of Ukraine's drone production capacity, which the next sections show is expanding faster than Russia's ability to defend its ports.

Russian Strikes on Ukraine: The Air War and Energy Grid

Ukraine has not been the only side striking infrastructure. Russia's air campaign against Ukrainian cities and the energy grid continued through 2026 with undiminished intensity, killing hundreds of civilians and forcing millions to endure blackouts and freezing conditions through the harshest winter in a decade [10] [40].

The Winter Strikes and the June 2 Wave

The winter of 2025–2026 was the worst of the war for Ukraine's energy system. Russian strikes systematically targeted generation and transmission infrastructure, leaving "millions with only a few hours of electricity per day" and "hundreds of thousands… without heating in freezing temperatures," according to Danielle Bell, head of the UN Human Rights Monitoring Mission in Ukraine [40]. The strikes continued into the spring: on 2 June 2026, a wave of Russian missiles and drones hit cities across Ukraine, killing 24 people and injuring 130, including 17 dead in Dnipro and 7 in Kyiv [31]. The same week, drones were reported at the South Ukraine and Chornobyl nuclear plants, and the Centralized Spent Nuclear Fuel Storage Facility in the Chernobyl exclusion zone was partially damaged in a Russian drone strike [31] [41].

24	168	31%	2,514
killed in 2 Jun 2026 strike wave	drones launched at Ukraine in one night (Jul)	rise in civilian casualties, 2025 vs 2024	civilians killed in Ukraine in 2025
17 in Dnipro, 7 in Kyiv	+1 Iskander-M, 5 Kh-59/69	70% higher than 2023	12,142 injured (UN)

By late July, the nightly barrages were running at roughly 168 drones plus missiles — a typical night's launch per the ISW assessment of 23 July [20]. The strikes hit not only energy infrastructure but residential areas, markets, hospitals and transport. The 4 February 2026 shelling of a market in Ukraine killed seven people on the first day of the Abu Dhabi talks [42].

The Toll on Civilians

The UN documented that civilian harm "demonstrably worsened" in the fifth year of the war. In 2025, the total number of civilian casualties was 31% higher than in 2024 and 70% higher than in 2023, with over 15,000 civilians killed since the conflict began [40]. By July 2026, the UN's verified count for Ukraine stood at 16,431 civilians killed and 48,613 wounded [25]. Russia's government claimed 8,012 civilians killed on its side of the border by Ukrainian strikes as of April 2026 — a figure that, while lower, shows the war now cuts both ways demographically [25].

Energy as a Weapon of Attrition

The energy campaign has a clear strategic logic for Moscow: make civilian life unbearable to pressure the Ukrainian government into concessions, and degrade Ukraine's war economy. ISW noted in March 2026 that Russia's strikes deliberately target Ukraine's energy and gas infrastructure "to disrupt civilian life, particularly during the winter" [3]. The effect is measurable: unmet needs exceeded 90% in some frontline regions, and over 300,000 returnees considered leaving their current location again within three months, per IOM data [40].

But the campaign has limits. Ukraine's air defences, though stretched, continued to intercept the majority of drones and many missiles; the UK-supplied and European air-defence systems held the line, and the two strikes in early August 2026 that penetrated defences were cited by the Kiel Institute as evidence of strain on Ukraine's air-defence network [43]. And Russia's own strikes are increasingly answered in kind: Ukraine's deep-strike campaign (previous section) is explicitly framed by Zelensky as "long-range sanctions" in response to Moscow's refusal to end the war [32].

Civilian Casualties in Occupied Territory

The UN has also documented serious violations in Russian-occupied territory and in the conduct of the war: widespread and systematic torture and ill-treatment of Ukrainian POWs and civilian detainees, sexual violence, and a documented rise in executions of captured Ukrainian soldiers in November and December 2025. "We have seen virtually no efforts to prevent such violations or hold perpetrators to account," Bell said [40].

The air war's human cost is the quiet counterweight to the military narrative of attrition: for all the talk of drones, kilometres and economics, the war's fifth year has seen more civilians killed per year than any since 2022, and the Ukrainian energy system — repaired and re-destroyed repeatedly — remains the single largest vulnerability in the country's ability to endure another winter. The humanitarian consequences are detailed in the Humanitarian Toll section.

Peace Talks and the May 2026 Truce

Diplomacy in 2026 ran on two parallel tracks: an American-led push for a ceasefire that produced the most concrete — and most quickly broken — truce of the war, and a European track building the security architecture for a post-war settlement that Russia rejects.

The Alaska Summit and the "Anchorage Agreements"

The diplomatic framework of 2026 was set in August 2025, when Donald Trump met Vladimir Putin at the Alaska Summit. No public agreement emerged, but Russia has since repeatedly invoked alleged "Anchorage agreements" as the basis for its negotiating position. US Secretary of State Marco Rubio explicitly rejected this narrative on 23 July 2026, saying Russian "proposals" at Anchorage "failed" and that peace would come only through new "concepts and ideas"[20]. The episode illustrates the central dynamic of 2026 diplomacy: Moscow using Trump's desire for a deal to claim commitments that Washington says were never made.

The Peace Plans

Steve Witkoff, Trump's envoy, drafted a 28-point peace plan in coordination with Russia's Kirill Dmitriev that "largely reflected Russian interests" and faced significant opposition in Ukraine. After Zelensky–Trump talks in Miami in December 2025, the plan was revised into a 20-point framework that removed the most overtly pro-Russian provisions, but no agreement was reached on territorial concessions or the fate of the Zaporizhzhia nuclear plant. Washington floated a compromise under which the plant would be jointly managed by Russia, Ukraine and the US, and a free economic zone in Donetsk with a frontline freeze elsewhere[3].

The Talks: Abu Dhabi, Geneva, Paris

The first publicly acknowledged trilateral US–Ukraine–Russia meetings since 2022 took place in Abu Dhabi on 23–24 January 2026, with a follow-up round on 4–5 February — delegations led by Witkoff and Kushner on the US side, Rustem Umerov and Kyrylo Budanov for Ukraine, and Igor Kostyukov and Kirill Dmitriev for Russia[44]. Ukraine called the first day "productive," but the talks produced little beyond prisoner exchanges[6][44].

Geneva followed on 17–18 February 2026, with Ukraine represented by Umerov, Budanov and others; the talks were described as "difficult" with no breakthrough[45]. On 6 January 2026, a "Coalition of the Willing" meeting in Paris involving 35 countries produced the Paris Declaration on Security Guarantees for Ukraine — providing for ceasefire monitoring, long-term military and financial

support, multinational forces, and coordinated responses to renewed aggression — and a trilateral Ukraine–France–UK declaration of intent to deploy multinational forces on land, at sea and in the air to enforce a ceasefire [3]. Days later, Russia responded with an Oreshnik intermediate-range ballistic missile strike on the Lviv region near the Polish border — a signal that any Western troop presence was a target [3].

The May 2026 Truce

The war's most concrete ceasefire attempt came in May. On 8 May 2026, Trump announced that Ukraine and Russia had agreed to a three-day ceasefire timed to Russia's Victory Day commemorations, to be followed by a prisoner swap [8]. Within 24 hours it was collapsing: Zelensky said on 10 May that "the Russian army is not complying with the ceasefire and is not even really trying to," citing Russian drone strikes and nearly 150 battlefield clashes [9]. Russia accused Ukraine of the same. Putin, at the scaled-back Victory Day parade, said he thought the war was "coming to an end" and that he would be willing to meet Zelensky in a third country once conditions were settled — but his aides played down any quick end, with Ushakov saying Moscow saw no basis for new trilateral talks until Ukrainian forces withdrew from Donetsk Oblast, a condition Kyiv rejects [9].

Russia's Demands and Ukraine's Red Lines

Russia's position, restated through 2026, is unchanged from 2024: full Ukrainian withdrawal from Donetsk, Luhansk, Kherson and Zaporizhzhia oblasts, recognition of Crimea and occupied territories as Russian, no NATO membership, drastic reduction of Ukraine's armed forces, and limits on defence cooperation with allies. Kyiv views these as "a framework for capitulation" rather than a basis for compromise [3]. Ukraine's red lines are the mirror image: no formal recognition of occupied territory, security guarantees that are legally binding, and — per the December 2025 New Europe Center survey — 86.7% of Ukrainians believe Russia would resume hostilities after any pause [3]. Zelensky has said he wants trilateral talks in fall 2026 (or, if the timing were up to him, in July 2026) [20].

The Role of the European Union

Europe moved in parallel to lock in support. On 4 February 2026 the Council agreed a legal framework for €90 billion in financial support for Ukraine for 2026–2027 [3]. A post-war reconstruction agreement envisaging up to US$800 billion in assistance is being finalised between Ukraine and the US [3].

- 6 Aug 2025 — **Alaska Summit**
  Trump–Putin meet; no public agreement.
- 6 Jan 2026 — **Paris Coalition of the Willing**
  35 countries; Paris Declaration on security guarantees.
- 23–24 Jan 2026 — **Abu Dhabi talks**
  First trilateral US-Ukraine-Russia meetings since 2022.

17–18 Feb 2026 **Geneva talks**
'Difficult' two days; no breakthrough.

8 May 2026 **Trump announces 3-day truce**
Victory Day ceasefire agreed.

10 May 2026 **Truce collapses**
Both sides accuse the other of breaches; ~150 clashes.

22–23 Jul 2026 **Rubio–Lavrov meeting**
Rubio rejects 'Anchorage agreements' narrative.

The net result by August 2026: a diplomatic process that has produced prisoner exchanges, an EU financial framework, and a broken three-day truce — but no ceasefire, no security guarantees, and no narrowing of the gap between Russia's maximalist demands and Ukraine's survival-based red lines. The most likely near-term outcome, as the ORF analysis concluded, is not a comprehensive peace but "a limited and fragile ceasefire," if that[3].

Ukrainian Politics: Martial Law, Elections and Leadership

Inside Ukraine, the fifth year of war brought the first real stirrings of domestic political competition since 2022 — and the first signs of wartime fatigue turning into public dissent.

Martial Law and the Frozen Electoral Calendar

Ukraine has been under martial law continuously since 24 February 2022, which prohibits holding elections; the last elections were the 2019 presidential and parliamentary votes. In April 2026, Zelensky submitted legislation to extend martial law for another 90 days — the routine mechanism by which the electoral calendar remains frozen[46]. But the freeze is no longer uncontested. A parliamentary working group has been drafting wartime election legislation, and — notably — sources within the Office of the President acknowledged in early 2026 that elections could take place even if the war continues, a departure from the earlier position that voting would follow the end of hostilities[47]. A compressed electoral timetable is under consideration, prioritizing speed over consensus, which has raised legitimacy concerns among opposition parties and independent electoral watchdogs[47].

Zelensky's Standing

Zelensky remains Ukraine's dominant political figure but his position is no longer unchallenged. The departure of Andriy Yermak — the powerful head of the presidential administration — in December 2025 removed the most controversial figure in Ukrainian politics and opened space for manoeuvring[47]. Former Commander-in-Chief Valery Zaluzhnyi, now ambassador to London, gave a direct interview criticizing how the 2023 counteroffensive was conducted — his first open political attack on the president — reigniting speculation about a presidential run when elections eventually

come[47]. Polling from KIIS has shown Zelensky's trust rating dipping after wartime protests, though it remains far above any predecessor's peacetime levels[48].

Public Opinion on Peace Terms

Public opinion polling shows a nuanced population: strong support for a frozen frontline with security guarantees, strong opposition to territorial concessions without them. KIIS found 69% of Ukrainians would support a peace plan freezing the current front line, provided it includes security guarantees and avoids formal recognition of occupied territories; 74% oppose plans entailing troop withdrawals from Donbas, limits on Ukraine's armed forces, or the absence of concrete security guarantees[3]. The New Europe Center found 86.7% of Ukrainians believe Russia would resume hostilities after a pause[3].

Protests and Friction

The winter of 2025–2026 produced Ukraine's most visible domestic unrest of the war. Thousands gathered in Kyiv for marches in late July 2026 as protests over mobilization and energy shortages entered a third week[7]. The Kyiv Independent reported "thousands of Ukrainians gather for a march in downtown Kyiv, as protests enter 3rd week" — protests with multiple strands: fatigue with mobilization, anger at the energy crisis, and demands for dialogue and reforms[7]. Officials privately argue the incidents are amplified by Russian hybrid activity, and Carnegie's assessment from Kyiv in February 2026 was that "despite extreme fatigue, there are no signs of systemic destabilization" — the prevailing mood was "weary endurance rather than open dissent"[47].

The energy crisis has also sharpened inequality and political friction. Rolling blackouts hit Kyiv hardest; the city's dependence on centralized infrastructure proved a strategic miscalculation compared with Kharkiv's distributed generation. Mayor Vitali Klitschko's long-running friction with the central government resurfaced, with Klitschko reminding EU ambassadors that dozens of criminal cases have been opened against mayors during Zelensky's tenure[47].

The Constitutional Question

The deepest unresolved question is constitutional: Ukraine's constitution prohibits elections under martial law, so any wartime election requires a constitutional amendment — a supermajority process that itself needs political consensus. Russian Central Election Commission chair Ella Pamfilova's March 2026 statement that Moscow will work to "ensure" Ukrainian citizens in Russia can vote in any future Ukrainian election was read by ISW as part of a Kremlin campaign to delegitimize any election it cannot control[5]. The Kremlin has repeatedly used the elections topic to claim the current Ukrainian government is illegitimate and to set conditions to reject any peace agreement signed with it[5].

Feb 2022 **Martial law declared**
Elections suspended; last vote was 2019.

Dec 2025 **Yermak departs**
Presidential administration chief leaves; politics thaw.

Feb 2026 **Wartime election bill drafted**
Working group to present legislation; officials concede elections possible during war.

Apr 2026 **Martial law extended 90 days**
Routine extension keeps electoral calendar frozen.

Jul 2026 **Kyiv protests**
Thousands march; third week of demonstrations.

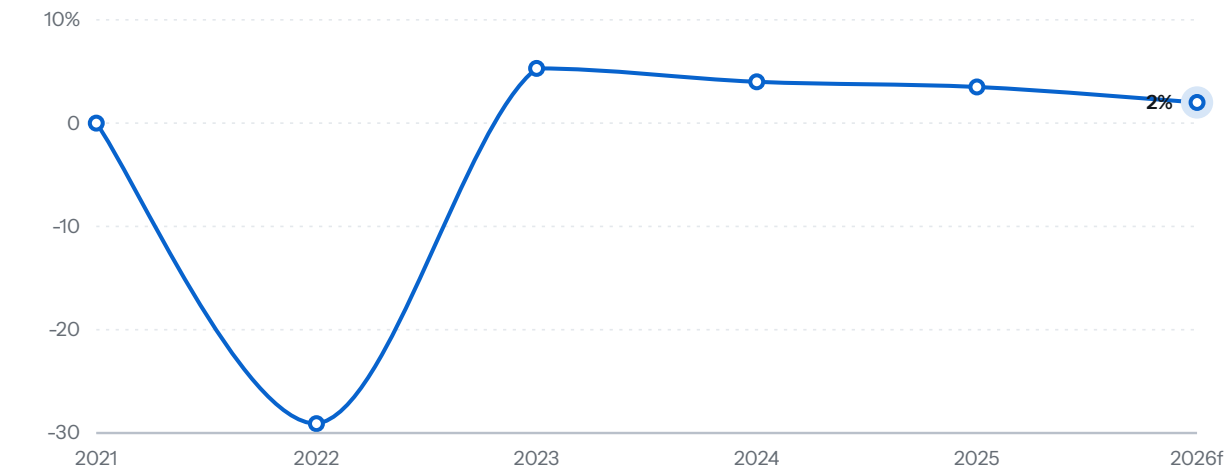
For now, survival dominates: the energy crisis, mobilization and the war itself crowd out everything else. But the machinery of political transition is quietly being built, and every month of war brings Ukraine closer to the point where the question of who governs it — and under what mandate — becomes as pressing as the question of where the front line settles.

Ukraine's Wartime Economy and Reconstruction

Ukraine's economy is the war's quiet success story: a 29% collapse in 2022 followed by four years of positive growth, a war economy that has refused to collapse, and a defence industry that has become the world's largest drone manufacturer per capita. But the underlying reality is a country whose output remains about a fifth below pre-war levels, financed almost entirely by its international partners.

The Macro Picture

Ukraine's real GDP contracted 29.1% in 2022 — the largest peacetime economic collapse in Europe since World War II — then grew 5.3% in 2023, 4.0% in 2024 and 3.5% in 2025. The IMF projects 2.0% growth for 2026[49]. Nominal GDP reached $225.3 billion in 2026, surpassing the pre-war 2021 level of about $200 billion — but that is nominal arithmetic: in real terms the economy remains roughly 21% below 2021, and per-capita GDP of about $6,450 reflects inflation and currency arithmetic more than prosperity[49]. Inflation ran at about 8.6% year-on-year in April 2026; the hryvnia traded near 43.6/USD[49].



2021 = pre-war baseline. Source: IMF WEO Apr 2026, via Statistics of the World.

The Budget and External Financing

Ukraine's budget deficit is about 20% of GDP — 19.3% in the IMF's 2026 projection, down from 23.6% in 2025 — financed almost entirely by international partners [50]. The architecture has three pillars:

PILLAR	AMOUNT	NOTES
IMF Extended Fund Facility	$15.6 billion	Approved late February 2026, four-year EFF
EU Ukraine Facility + Support Loan	€50B + €90B	Facility 2024–2027; €90B loan agreed Feb 2026, first €3.2B disbursed Jun 2026
G7 Extraordinary Revenue Acceleration loan	$50 billion	Backed by income from ~$300B frozen Russian sovereign assets

Total committed external financing exceeds €110 billion for 2026–2027 [49] [51]. Defence spending absorbs an estimated 25–30% of the national budget, and without international support "the Ukrainian state would be unable to maintain both its military effort and basic government functions" [49].

Reconstruction: A $588 Billion Bill

In February 2026, the World Bank, EU and UN released the fifth Rapid Damage and Needs Assessment (RDNA5), estimating Ukraine's reconstruction and recovery at $588 billion over ten years — nearly three times GDP, and more than three times the Marshall Plan in inflation-adjusted terms. Direct physical damage exceeds $195 billion, up from $176 billion in the previous assessment. The largest sector needs: transport $96B, energy $91B, housing $90B, commerce and industry $63B,

agriculture $55B [49]. Only about $20 billion in recovery work has been completed — much of it energy infrastructure repaired and destroyed again [49].

The Drone Economy

The standout industrial success is drones. Ukrainian defence industry capacity now allows production of more than 8 million FPV drones per year, an unprecedented figure for any country at war, from more than 160 companies [52]. Ukraine plans to produce over 7 million drones in 2026 as part of a $120 billion defence and security push drawing on the state budget, EU loans and partner assistance [53]. The drone industry has grown from zero domestic mass production in 2022 to a distributed factory model producing fibre-optic drones, AI-enabled platforms and long-range strike drones — the weapons behind both the deep-strike campaign and the maritime war described earlier [54]. FPV drones now account for an estimated 60% of Russian army losses, per the National Security and Defense Council [52].

Population and Labour

The demographic shock is severe. Population in government-controlled territory is estimated at 33–35 million, down from roughly 44 million before the invasion — a loss of about 10 million through displacement, emigration, casualties and occupied territory [49]. With 6.2–6.5 million refugees abroad and 3.7 million internally displaced, labour shortages constrain growth, and the IT sector — which grew exports 50% since the invasion — cannot compensate for the wider losses [49].

What It Means

Ukraine's economy is best understood as a wartime organism kept alive by transfusion: it produces enough to survive, grows slowly, and rebuilds its most critical industries (defence, IT, agriculture rerouted through the Danube corridor) while the reconstruction bill mounts. The IMF's own projections assume the war ends — its baseline scenario has peace in 2026, while Ukrainian economists' independent scenarios assume 2027 or later, with GDP growth of 5% and a $37 billion deficit in the latter case [55]. The single biggest economic risk is not growth but funding continuity: if Western support falters — a live question given US politics — the deficit financing architecture collapses, and with it the state's ability to fight [49].

Russia's Wartime Economy

Russia's wartime economy, which defied Western predictions of collapse in 2022–2024, entered a visibly harder phase in 2026. Growth has stalled, the budget deficit has ballooned, and for the first time senior Russian officials — including the Central Bank and Finance Ministry — have warned Putin directly that the war economy is unsustainable.

Growth Stalls

The Ministry of Economic Development cut its 2026 GDP growth forecast from 1.2% to 0.4% in May 2026, and the economy contracted 0.3% in the first quarter of 2026 — the first quarterly contraction since 2023[33][56]. The Central Bank lowered its 2026 forecast range to 0.0–1.0%[33]. The May forecast was built on "conservative" assumptions including an average Urals oil price of $59 per barrel in 2026 and $50 over the following three years — below even the Central Bank's own $65 assumption[56].

0.4%	$79.3B	65%	6%
Russia's 2026 GDP growth forecast	Jan–Apr 2026 budget deficit	share of Q1 federal revenues spent on defence	official inflation
cut from 1.2%; Q1 2026: -0.3%	exceeds entire 2025 deficit	$76.2B in Q1	household expectations: 13%

The Budget: Defence Swallows Everything

The fiscal picture is the starkest it has been. The January–April 2026 budget deficit reached $79.3 billion — more than the entire 2025 deficit[33]. Defence spending is consuming about a third of all 2026 budget expenditures; in the first quarter of 2026, Russia spent $76.2 billion on the military, equal to about 65.26% of federal revenues for the period (calculated by Janis Kluge of the German Institute for International Security) and 30% more than Q1 2025 — five times the pre-invasion Q1 2021 level[33]. Oil and gas revenues, meanwhile, fell 45% year-on-year in Q1, hit by new sanctions, lower export volumes and the refinery damage from Ukrainian strikes[33].

The Atlantic Council's July 2026 analysis was blunt: as of April, the fiscal deficit had ballooned to 5.8 trillion rubles — double the same period in 2025 and already exceeding the 3.8 trillion-ruble deficit projected for the entire year — driven by a 16% increase in war spending and depressed energy revenue[28].

Inflation, Rates and the Banking System

The Central Bank cut its key rate for the tenth consecutive meeting on 24 July 2026, from 14.25% to 14.00% — while simultaneously raising its inflation forecast by 1.5 points[28]. Official inflation sits near 6%, but household inflation expectations remain at 13%[28]. The deeper problem is structural: the State Defense Order allows banks to lend to defence contractors at subsidised rates, blunting monetary transmission. Between mid-2023 and October 2024 the key rate rose from 7.5% to 21%, yet retailers paid an average 24.9% on long-term loans while manufacturers paid 12.2%[28]. The result is an inflationary subsidy regime: war-linked sectors stay solvent on cheap credit, everyone else pays the price, and bad loans are accumulating on bank balance sheets — raising the risk of a banking crisis[28].

The Funding Workarounds

With the liquid portion of the National Welfare Fund largely depleted (liquid assets fell from 12% of GDP to 6% in four years), the Kremlin has turned to taxation and financial repression[28][57]. VAT rose from 20% to 22% in January 2026, with the threshold for businesses required to pay it lowered; the

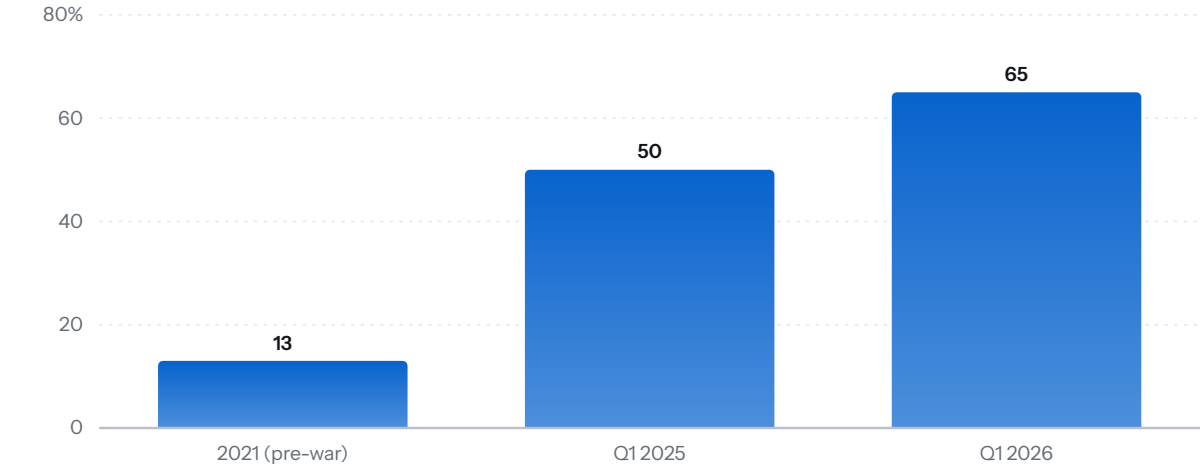
small-business tax regime was overhauled [33]. Higher oil prices from the Strait of Hormuz closure this year provided some offset, but lower export volumes negated the gains [28].

The Fuel Crisis Intersects

The Ukrainian drone campaign is now a fiscal factor. With 30–45% of refinery capacity knocked offline and export corridors disrupted, Russia's oil and gas revenues for January–June 2026 fell to 64% of their level two years ago [28]. On 28 June, Putin acknowledged "a certain shortage" of fuel; Rosneft's Sechin wrote to him about "an unprecedented amount of damage" to refineries [33]. A sweeping US sanctions bill backed overwhelmingly in the Senate could reach Trump's desk in autumn 2026, threatening further revenue pressure [28].

What the Insiders Say

The most telling development came in early June 2026: Bloomberg reported that Ministry of Finance and Central Bank representatives told Putin the treasury deficit could reach alarming proportions and suggested cutting defence spending — while Putin instead backed the Defence Ministry's budget and directed the Finance Ministry to find savings elsewhere [33]. The episode confirms that Russia's leadership has chosen war spending over fiscal balance, betting the economy can absorb the strain long enough to outlast Ukraine's willingness to fight. The Central Bank and Finance Ministry's private warnings suggest that bet is now seen as dangerous inside the institutions that would have to manage the consequences [33].



Q1 2026: $76.2B spent, $107.2B revenue. Source: Moscow Times via Jamestown.

The Russian economy is not collapsing — the regime retains deep reserves of coercion, adaptation and informal flexibility, and official statistics understate the strain. But the direction of travel is unambiguous: growth near zero, a deficit that exceeded its annual target in four months, defence

consuming two-thirds of tax revenue, a fuel crisis of Ukraine's making, and the country's own financial institutions warning the model is not sustainable.

Humanitarian Toll and Displacement

The humanitarian dimension of the war in 2026 is one of deepening harm rather than stabilisation. UN monitors say harm to civilians has "demonstrably worsened" in the fifth year, displacement remains near its peak, and the winter of 2025–2026 was the harshest of the war [40] [10].

Civilian Casualties

The UN's verified figures for Ukraine as of July 2026: 16,431 civilians killed and 48,613 wounded [25]. The trend is upward — 2025 saw 2,514 civilians killed and 12,142 injured, a 31% rise in victims versus 2024 and 70% higher than 2023 — and "early 2026 has signalled a continuation of this trend," per the UN Human Rights Monitoring Mission [40]. Russia's government claims 8,012 civilians killed on its side by Ukrainian strikes as of April 2026 [25].

The incidents are often mass-casualty events: the 1 January 2026 Ukrainian drone strike on Khorly in occupied Kherson Oblast killed 28 people at hotels and restaurants, according to the Russian-installed governor [58]; the 2 June 2026 Russian strike wave killed 24 across Ukraine, 17 in Dnipro alone [31]; the 4 February market shelling killed seven on the day the Abu Dhabi talks resumed [42].

Displacement: 3.7 Million Internal, 5.9 Million Abroad

Displacement remains Europe's largest since World War II. UNHCR's February 2026 briefing put the numbers at 3.7 million internally displaced and 5.9 million refugees abroad, with an estimated 10.8 million people inside the country needing humanitarian assistance in 2026 [10]. The UNFPA's January–June 2026 regional report counts 3.4 million internally displaced and 5.8 million refugees globally [59]. The population of government-controlled Ukraine has fallen from about 44 million pre-invasion to 33–35 million [49].

16,431	3.7M	5.9M	4.4M
civilians killed in Ukraine (UN, Jul 2026)	internally displaced	refugees abroad	have returned since 2022
48,613 wounded	10.8M need assistance	5.3M in Europe	returns disrupted by energy crisis

Return has stalled. Some 4.4 million refugees have returned since the war began, but the winter's energy attacks reversed the trend: nearly 400,000 returnees are again internally displaced, over 300,000 more considered leaving again within three months, and unmet needs exceeded 90% in some frontline regions, per IOM [40]. "After four years of war, resilience alone cannot sustain families through yet another winter of blackouts and freezing temperatures," said IOM Director-General Amy Pope [40].

The Winter Crisis

The winter of 2025–2026 was described by UNHCR as “the harshest in a decade,” with repeated attacks on housing, energy systems and essential services leaving millions without heating or electricity for prolonged periods[10]. UNHCR Regional Director Philippe Leclerc noted that “millions of displaced Ukrainians have endured a brutal winter coupled with the relentless bombardment of housing, energy and other services”[10]. The energy crisis has an increasingly visible inequality dimension: “wealth is measured less in income than in access to generators, batteries, and alternative heating,” per Carnegie’s Kyiv reporting, with the elderly and low-income households bearing the brunt[47].

Rights Violations

The UN documented serious violations continuing “with impunity, particularly by Russian authorities”: widespread and systematic torture and ill-treatment of Ukrainian POWs and civilian detainees, sexual violence, and a documented rise in executions of captured Ukrainian soldiers in November–December 2025[40]. “We have seen virtually no efforts to prevent such violations or hold perpetrators to account,” said HRMMU head Danielle Bell[40].

The Refugee Economy in Europe

The displacement has had measurable economic effects in host countries — mostly positive. UNHCR and Deloitte analysis showed Ukrainian refugees’ net impact in Poland amounted to 2.7% of Polish GDP in 2024[10]. Across Europe, temporary protection regimes have given refugees access to education, healthcare and employment, and UNHCR is urging states to explore longer-stay arrangements as the war shows no end[10].

Assistance and Funding

UNHCR and partners have supported 10 million people inside Ukraine since 2022; in 2026 they plan to assist a further 2 million, subject to funding[10]. IOM has supported up to 6.9 million people inside the country and millions more across 11 neighbouring countries[40]. The scale of need — 10.8 million people requiring assistance in a country of 33–35 million — means the humanitarian system is not merely responding to a crisis but effectively substituting for basic state services in frontline regions, and doing so on budgets that have not kept pace with the deterioration.

Nuclear Risks: Zaporizhzhia and the Arms Control Void

Two nuclear-risk tracks converged in 2026: the physical danger of Europe’s largest nuclear power plant sitting on the front line, and the strategic void left by the expiry of the last US–Russia arms control treaty.

Zaporizhzhia: One Power Line from Disaster

The Zaporizhzhia Nuclear Power Plant — six reactors, Europe's largest — has been under Russian military control since March 2022. All six units are shut down; the last transferred to cold shutdown in April 2024. But shutdown reactors still need cooling for spent fuel, and the plant needs off-site power for that cooling [11].

The situation deteriorated sharply in 2026. The main 750 kV Dniprovska line lost connection on 24 March 2026, leaving the plant reliant on the single 330 kV Ferosplavna-1 backup line [60]. The line was restored on 5 March under a fifth IAEA-brokered localised ceasefire — but by 22 May the IAEA reported the plant was back on its last off-site power line, having experienced three separate losses of off-site power in the interim [60]. Repairs to the main line under an IAEA-arranged local ceasefire were attempted, but the line remains unavailable because of damage to a substation [11].

The plant has now lost external power 24 times, with half of those occurring in the four months before August 2026 — including twice in the week before the World Nuclear News report — and each loss forces reliance on emergency diesel generators with about seven days of fuel on site [11]. Diesel resupply is itself threatened by military activity in the area, so in August 2026 the operators decided to increase water levels in the used fuel pools — a measure intended to buy time before water could boil off in a prolonged outage [11].

IAEA Director General Rafael Grossi called the trend "deeply concerning and clearly not sustainable" [11]. The plant has also been directly threatened: a drone carrying explosives reportedly crashed near the Unit 1 turbine hall in May 2026 (without detonating), drones struck near the site and in Enerhodar, and four buses carrying plant personnel were damaged in an attack on the transport garage [60]. IAEA teams continue to report military activity around all of Ukraine's nuclear plants, with air-raid alarms at South Ukraine, Chornobyl and Khmelnitskyy plants [60].

24	750 kV	7 days	5
losses of external power at ZNPP	main line down since 24 Mar 2026	diesel on site for generators	IAEA localised ceasefires
`12 in past 4 months`	330 kV backup = only line	`resupply threatened`	`for line repairs`

The Zaporizhzhia Question in Peace Talks

The plant's fate is a negotiating issue in its own right. Washington proposed a compromise under which Russia, Ukraine and the US would jointly manage the plant; the plan remained under discussion as of early 2026 [3]. Russia controls the site and has repeatedly blocked or complicated IAEA access and repairs; Kyiv insists the plant must return to Ukrainian control. Every month of war makes a safe outcome less likely — the IAEA's own seven indispensable pillars framework is not being maintained, with off-site power the most visibly breached pillar [61].

New START Expires

On 5 February 2026, the New START treaty — the last remaining US–Russia nuclear arms control agreement — lapsed without replacement, leaving no treaty-bound limits on American and Russian strategic nuclear arsenals for the first time since 1972[1]. The expiry came after years of suspended inspections and mutual accusations; neither side has signalled interest in a successor.

The consequences are strategic rather than immediate. Both sides retain arsenals sized to the New START ceilings, and neither appears to be racing to build beyond them — but the verification regime is gone, the predictability that treaties provide is gone, and the risk of miscalculation during a war in which Russia is a direct participant has risen. Russian leadership has made multiple references to nuclear options through the war, and tactical nuclear weapons have been a recurring topic of analysis[1]. Most intelligence assessments still consider tactical nuclear use "unlikely but not impossible" — with the costs in isolation and NATO response severe — but the combination of an active war, expired arms control and Russian nuclear rhetoric keeps the Ukraine war at the centre of global nuclear-risk assessments[1][62].

Why It Matters

The two tracks compound each other. A radiological incident at Zaporizhzhia — whether from a strike, a cooling failure or a diesel-exhausted blackout — would be a humanitarian and political catastrophe that would reshape the war's endgame. And the absence of arms control means the crisis-management machinery that existed during the Cold War is gone at exactly the moment a nuclear-armed state is fighting Europe's largest war since 1945. The IAEA's localised ceasefires around the plant are one of the few functioning conflict-management mechanisms left — and they are negotiated one power line at a time[60][11].

International Support and Ukraine's European Future

The international support architecture shifted decisively in 2026: Europe overtook the United States as Ukraine's principal backer, and the US contribution became a source of uncertainty rather than a constant.

The Aid Numbers

Kiel Institute data cited in August 2026 shows Ukraine receiving just over €2 billion a month in military assistance on average in 2026, down from more than €2.5 billion in previous years — a decline that came despite higher European support, because US weapons donations have been halted under the Trump administration[43]. Cumulative European allocations have now clearly overtaken the US: Europe has allocated more than $235 billion (€200 billion) in military, financial and humanitarian aid, per Statista's analysis of Kiel data[63]. Since the invasion began, Ukraine has officially received more than 900 tanks, 1,300 infantry fighting vehicles, 800 artillery systems and

100 air-defence systems from the US and Europe — with Poland the largest tank supplier (254), the UK leading artillery deliveries (94), and the US supplying 290 infantry fighting vehicles [43].

	Europe	vs	United States
Cumulative aid allocated	$235B+	·	~$130B
2026 military aid flow	rising	·	halted (weapons donations)
Largest tank supplier (Poland)	254 tanks	·	—

Cumulative allocations per Kiel/Statista, 2026. US figures approximate and declining.

The US Question

No significant US aid legislation has passed since 2024, and CFR notes US weapons donations have effectively stopped [43] [64]. US financial support has "nearly stopped over the past year," per Euronews' February 2026 report [65]. This is not simply a funding gap: it changes the negotiating dynamic, since Trump's leverage over Kyiv is now negative (withholding support) rather than positive (supplying it), and Russia has read the shift as an opportunity to wait out Western resolve. A sweeping US sanctions bill targeting Russia was nonetheless backed overwhelmingly in the Senate in mid-2026 and could reach Trump's desk in autumn [28].

EU Accession: Real Progress

Against the aid backdrop, Ukraine's European integration advanced more in 2026 than in any prior year. The timeline: candidate status June 2022; negotiations formally opened June 2024; the upgraded DCFTA took effect October 2025; screening completed September 2025; the first negotiating cluster (fundamentals) opened 15 June 2026; and the EU opened negotiations on external relations policies on 14 July 2026 [66]. The EU disbursed the first €3.2 billion instalment of the €90 billion Ukraine Support Loan on 25 June 2026, and the Ukraine Recovery Conference in the same week stepped up defence, recovery and reconstruction support [66] [67]. Zelensky awarded European Commission President Ursula von der Leyen the Order of Europe on 15 July 2026 [66].

NATO and the Eastern Flank

NATO's enlargement continued to reshape the security map: Finland joined in 2023, Sweden in 2024, with permanent brigade deployments on the eastern flank and significantly increased European defence spending [1]. Russia's response — from Oreshnik strikes near the Polish border to rhetoric about Western troop presence being a legitimate target — has not deterred the alliance's reinforcement, but it keeps the risk of direct NATO–Russia contact a live concern, particularly around the Baltic states, where a Russian drone was shot down by French fighters over Latvia in June 2026 [3] [31].

What the Shift Means

The balance of support has structural consequences. European funding is now the indispensable pillar of Ukraine's survival — the €90 billion loan framework alone exceeds annual Ukrainian state revenue — while the US role has become transactional and unpredictable. For Ukraine, the strategic implication is that its future — membership in the EU, reconstruction financing, security guarantees — is being built primarily in Brussels, not Washington, and that the durability of support now depends on European political will holding through what could be years of frozen conflict or renewed war.

Bottom Line

As of mid-August 2026, the Russia–Ukraine war is a grinding attritional conflict entering its sixth calendar year with no ceasefire in sight. The headline facts a reader should retain:

- **The battlefield is a slow-moving stalemate tilting Ukraine's way on momentum.** Russia holds ~19–20% of Ukraine but gained only ~0.4–0.5% of it in the past year, at a cost of more than a million casualties by Western estimates. Ukraine's February 2026 southern counteroffensives — its biggest gains inside Ukraine since 2023 — stalled Russia's drive into Dnipropetrovsk Oblast and forced the Kremlin to make a diplomatic demand (Ukrainian withdrawal from all of Donetsk) it cannot win militarily [5] [19] [1].
- **The war is increasingly decided by economics and drones, not just soldiers.** Ukraine's deep-strike campaign has knocked 30–45% of Russian refining offline, triggered a fuel crisis affecting ~50 million Russians, and closed or crippled Russia's major oil export corridors; Russia's own air campaign has killed more civilians per year than at any time since 2022 and left Ukraine's grid dependent on constant repair [27] [28] [40].
- **Diplomacy has produced process, not peace.** Abu Dhabi and Geneva talks, a Paris security-guarantees framework, and a three-day US-brokered truce in May all failed to close the gap between Russia's maximalist demands and Ukraine's red lines. Zelensky wants trilateral talks in fall 2026; the most realistic near-term outcome remains a fragile, limited ceasefire rather than a comprehensive settlement [3] [20] [9].
- **The risks are compounding.** Zaporizhzhia runs on one power line with 24 external-power losses and counting; New START expired in February 2026; Russia's deficit exceeded its annual target in four months while its Central Bank warns the model is unsustainable; and Ukraine's own politics — frozen elections, protests, Zaluzhnyi's challenge — are beginning to stir [11] [1] [33] [47].

The practical takeaway: anyone tracking the war should watch five numbers — Russian monthly territorial gains (now single-digit square miles), Russian recruitment versus casualty rates (recruitment is below attrition), the status of Zaporizhzhia's power lines, monthly Western military aid (€2B and falling), and Russian oil export volumes. The best daily sources are ISW's Russian Offensive Campaign Assessments, UNHCR and IOM displacement data, the IAEA's situation updates, and the Kiel Institute's Ukraine Support Tracker. The war's fifth year has shown that neither side can

win on the battlefield as it stands — which is precisely why the next chapter is being written in refineries, port closures, power grids, ballot boxes and negotiating rooms rather than on the front line.

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