

December 17, 2025



# Executive Summary Report

As 2025 draws to a close, the Russia-Ukraine War shows no meaningful indications of a ceasefire, much less a negotiated settlement. Neither outcome appears imminent. Russia continues to hold to its maximalist demands while negotiations with the West remain stalled, doing little other than straining ties between the United States and its long-standing allies and partners. Putin has no incentive to compromise because he believes Russia is winning the long war, both on the battlefield and in the political endurance contest with the West.

This phase of the conflict is marked by a grinding tactical stalemate in which neither side can mount an effective offensive to meaningfully alter the course of the war. That stalemate is shaped by the rapid rise of drone warfare and electronic warfare that have transformed the character of combat. Both sides are locked in a fast-paced cycle of innovation and counter-innovation that yields only temporary advantages and drives high attrition, that define the battlefield front.

At the same time, profound geopolitical dynamics are eroding the diplomatic environment. Europe's influence in peace efforts has diminished as the United States dominates negotiations, yet offers ambiguous security guarantees. These developments have created fractures within the Western coalition and reinforced Russia's belief that time is on its side.

Both nations also face severe domestic pressures that will shape their ability to sustain the fight. While Ukraine struggles with the destruction of its energy infrastructure and political turbulence, Russia is straining under the weight of its wartime economy. Despite its outward resilience, Russia may face a critical economic inflection point in 2026, driven by falling energy revenues, mounting deficits, and the depletion of financial reserves.

Taken together, these factors, technological transformation, weakening Western cohesion, and mounting economic pressures, could make 2026 a decisive year. The war is unlikely to be won outright on the battlefield; instead, its end will be shaped by leverage to coerce both parties into less-than-desirable outcomes.

## **The Diplomatic Situation – Peace Plans Without Results:**

London Peace Conference (March 2025): The London Summit on Ukraine brought together NATO, the EU, and other states for the development of a coherent and workable peace agreement. The goal was to draft a peace and security framework, explore security guarantees, and potentially build a coalition willing to sustain Ukraine's defense and deter further Russian aggression.

The plan envisioned a peacekeeping force inside Ukraine from willing nations (primarily European), while the U.S. would possibly provide air support and logistics. The peacekeeping force idea broke down upon the realization that European armies have nowhere near the force structure levels needed



[GEOIntelligence@bancroft4vets.com](mailto:GEOIntelligence@bancroft4vets.com)

to employ and sustain rotational forces inside Ukraine. Bottom line, the London Conference ultimately produced no meaningful progress toward an agreement, contributing to a broader sense that diplomatic efforts in 2025 were failing.

Trump-Putin Summit in Alaska (August 2025): The fact that the Alaska Summit happened at all was a victory for Putin. In a short six months, he went from being a pariah to being welcomed on U.S. soil like a partner or friend. President Trump's minimum expectation of a temporary cease-fire was not achieved, whereas Putin regained some degree of stature on the world stage and avoided the imposition of "harsh tariffs" and "crippling sanctions" as promised by President Trump.

Russia's offer consisted of its standing list of demands and grievances, which were (and remain) intolerable to Ukraine and most European nations. Putin has a long-standing pattern of using negotiations as a strategic instrument, feigning interest (or progress) to delay Western punitive measures and buy time for his attritional strategy. This behavior was consistent in Alaska, where the appearance of diplomatic engagement contributed to hesitancy in Washington and European capitals to escalate sanctions.

The summit ended without an agreement being announced. President Trump later stated his focus was now on Ukraine to cede territory to Russia to end the war.

European Leaders Meeting with President Trump (August 2025): Three days after the Trump-Putin summit in August, eight European leaders flew to Washington, D.C. to meet with President Trump. Outside analysts saw this as a concerted effort to "buck up" Trump on Ukrainian defense and resistance to Russia. Robust security guarantees for Ukraine akin to Article 5 of the North Atlantic Treaty were the primary topic on the agenda.

Of note, President Trump met with Ukrainian President Zelenskyy immediately before the engagement with the European leaders. Afterward, President Trump said the United States would offer Ukraine strong security protection, but left open whether it would be NATO-led or take another form of U.S. involvement. Trump reiterated that he did not think a ceasefire was necessary for a peace treaty. This marked a notable shift from Trump's stance before his meeting with Putin the previous week.

Afterwards, sober analysis of the combined meetings took hold and led to a generally dim view of the prospects for peace. As for the "Coalition of the Willing" for peacekeeping and security guarantees in Ukraine, there was resignation to the fact that such a coalition is no substitute for U.S. power. One analyst concluded: "In Anchorage and in Washington, it was a triumph of empty vagueness and meaningless commitments ... In both cases, no firm decision has been taken. Nothing has changed."

The meeting also underscored Europe's limited influence over U.S. policy and highlighted the deepening marginalization of European leaders in shaping the security framework for Ukraine, reinforcing Russia's perception of Western division.

U.S. "28 Point Plan" (November 2025): A flurry of diplomatic activity in November was aimed at developing a new U.S. peace plan to end Russia's invasion of Ukraine. The plan, developed by U.S. Secretary of State Marco Rubio and Special Envoy Steve Witkoff, was allegedly based on input from both the Ukrainians and the Russians, but Ukrainian involvement was later questioned.

Kirill Dmitriev (Director of Russia's Sovereign Wealth Fund) was very influential in the drafting of the 28-point plan. He is the author of the provisions offering lucrative incentives to the U.S. and promoting bilateral United States-Russian cooperation. Confusingly, the plan had no incentives for Ukraine and Europe. His (and Russia's) intent was to use the 28-point plan to sow distrust between the United States, Ukraine, and Europe, weakening Western cohesion.

The 28-point proposal, which was not made public, is believed to include extensive Ukrainian concessions along with a series of significant economic and political incentives for Russia. This led to widespread alarm, especially among the Europeans, with many critics dismissing the proposal as a call for Ukraine's "capitulation." Two points were most controversial – granting land to Russia, and a proposal for multiple economic incentives for Russian-U.S. cooperation on multifaceted commercial ventures. Many found this proposition to be offensive, as it proposed robust economic incentives to Russia on top of the graves of dead Ukrainians.

Subsequent negotiations between the U.S. and Ukraine reduced the plan to 19 points and removed the most contentious points, which were decided among the principal leaders themselves. However, notable agreement between the Americans and Ukrainians was achieved in three specific areas in response to Russian demands. First, Russia must acknowledge ("confirm") Ukrainian sovereignty. Second, Ukrainian military strength will no longer be capped at 600,000. And third, Ukraine will not be required to change its Constitution to prohibit joining NATO, and NATO will not have statutes that deny Ukraine membership.

Overall, the U.S. position shares Ukraine's key objectives of ensuring Ukraine's security, sovereignty, and a reliable peace, noting that Ukraine and the United States will continue consultations and work on a joint peace framework. Unfortunately, the U.S. took this opportunity to soften its security guarantees. Specifically, the United States' role in "security guarantees," which includes a "decisive coordinated response" by someone if Russia invades further into Ukraine. The Europeans, upon whose shoulders much of the consequences of any agreement will fall, remain on the outside looking in and have influence only on the margins of what the U.S. proposes, and the final agreement.

## **The Military Situation:**

The war continues to grind on without a meaningful prospect of either a tactical breakthrough or a peace agreement, with both sides increasingly reliant upon drone warfare, missile strikes, and strategic targeting (such as energy, infrastructure, etc.) to achieve desired effects. None of these activities, however, will prove decisive. They must be combined with several other military and political endeavors to achieve operational advantages and strategic success. What has happened at the front equates to a tactical stalemate and culmination where neither side can mount an effective offensive to meaningfully change the course of the war.

# Executive Summary Report

December 17, 2025

Page 4

Ground Situation: The front lines are a no-man's land for forty kilometers in both directions, with drones hunting soldiers and civilians alike. Everything in that zone – people and equipment – has a high probability of being killed.

Russia's spring offensive was mainly a failure and resulted in staggering losses of people and equipment. It has since employed infiltration tactics or a "1,000 bites" strategy, using small teams and combining them with fires from glide bombs and drones to seek and exploit gaps in Ukrainian positions. Once gaps are found and salients are created, Russia has a hard time retaining control of the captured territory due to the lack of sustainment and meaningful combat power to reinforce successes.

Ukraine has thinned its lines and essentially formed a picket defense across the front to preserve its limited manpower, equipment, and resources. Artillery and drones are called in to pick off advancing forces, with drones causing 80% of the casualties at the front. While this tactic has preserved manpower, it cedes incremental bits of land to the Russians, who are steadily advancing by meters daily.

Air Situation: Russia's air force continues to operate with general impunity inside of Russia and areas they control inside of Ukraine. The air force's main role is to deliver ordnance in support of ground operations and has been very effective at delivering standoff gliding bombs from safety into the combat areas. Glide bombs can have up to 6,000 pounds of explosive weight and are capable of eliminating entire apartment blocks.

The Russian air force also delivers high-precision standoff strike weapons with its heavy bombers. However, Ukraine conducted a highly successful raid on the main bomber bases inside Russia using concealed drones and inflicted substantial damage to Russia's heavy bomber fleet. As a result, Russia moved long-range heavy bombers farther east, which means crews have to refuel multiple times in transit to and from the launch areas. This phenomenon has vastly increased the wear on aircraft engines and wings, and on crew endurance.

In the absence of an offensive air force, Ukraine has resorted to deep strikes inside Russia with drones and long-range precision strike weapons. These strikes have targeted key production facilities for drones, missiles, and armaments plants, along with major airfields and the aircraft on station at the time. Successful drone operations and strikes against airfields have pushed strategic air support to bases in the far east and doubled transit time for daily strike sorties, thus creating additional wear on the engines and crews.

Precision strikes with long-range drones and cruise missiles have depleted the Russian capacity to sustain and wage war. Strikes against refining capacity have taken nearly 40% of Russian refining capacity offline, and therefore not available for either domestic use, the war effort, or export. The strikes continue unabated to reduce the funds derived from exports. It is difficult to assess the Russian energy sector's resilience in the face of these strikes, however.

Maritime Situation: Russia's formerly mighty Black Sea Fleet has been displaced from Sevastopol in Crimea to much safer harbors to the southeast, with Novorossiysk as the main operating base. After losing over one-third of its fleet to drones and precision forces, Russia is husbanding the

remaining ships and using them sparingly and mainly for cruise missile launches. Even so, Ukrainian drones have struck the safe havens for the fleet, further denying the fleet a safe haven.

Ukraine has both manned and unmanned capabilities that have been employed by the Ukrainians to attack targets from the sea and into Crimea, the Kerch Strait, and the southwestern coastline of Russia. Using long-range and highly versatile sea drones, Ukraine has attacked an array of vessels and fixed-site targets with good effect. Manned missions have taken place to raid sea-based platforms used by Russia for surveillance and land-based high-value targets in Crimea.

## **The Maturation of Drones and Electronic Warfare:**

Drone technology in this war has rapidly advanced and is continually changing and adapting to emerging countermeasures. It is a war of opposing innovation spirals – a double helix – perhaps to out-compete each other for a technology that provides them a brief tactical edge. The side that innovates the fastest gains an advantage for a period of single-digit weeks, then is effectively countered by the opponent. In modern war, as in business, failure to constantly innovate is a recipe for disaster.

Russian drones have been narrowed to a small number of airframes and variants within those airframes to perform specific missions. Therefore, they can mass-produce proven aircraft and focus innovation efforts on the avionics and sensor packages. Currently, the Russians are fond of using tactical drones that use fiber-optic cables spooled out behind them to attack Ukrainian assets. They can fly long distances (about 40 kilometers) and cannot be jammed.

The Russians organized a special hunter-killer brigade in 2025 to find and kill Ukrainian drone operators and assets and interdict key targets. The “Rubicon” forces are multifunctional teams with technicians, engineers, software specialists, pilots, electronic warfare, and targeteers. They are the “best technological unit” in Russia’s combat forces and are extremely effective.

In contrast, Ukrainian drone development and production are highly decentralized and extremely inefficient. This is by design in that Ukrainian leadership does not want to present vulnerable targets to Russian strikes. However, it limits the ability to scale up production to wartime needs. It has over 100 drone companies that are turning out weapons at a significant rate, but each one is independently engineered, and there is no commonality across the spectrum of airframes. Makers zealously protect their “secret sauce” rather than sharing it broadly across the industry on behalf of the nation. As a result, Ukraine is at a significant disadvantage in terms of the industrial capacity of a key weapon system.

Both sides employ an array of electronic warfare systems to deny the usable spectrum to the other side. Employing drones through these protective layers is a game of cat-and-mouse in that drones with sensors determine the best and most accessible route on any given day. Pilots “hide behind” and are protected by electronic warfare systems, which greatly helps mask their electronic signature from Rubicon attacks.

There is a staggering density of electronic warfare (EW) systems across the 1,100-kilometer front. Systems are arrayed in depth, reaching back to respective national capitals and at key infrastructure to deny attacks. NATO forces have not encountered or planned for the degree of



electronic attack and therefore protect systems used by both sides. Previously, NATO fielded EW as a discrete and rarely seen system, whereas EW is ubiquitous in the Russia-Ukraine war. NATO is at least one generation behind in EW technology, fielding, and tactical employment in depth.

## **The Russian Domestic Situation:**

The domestic situation in Russia is stable but brittle. The Putin regime has done a good job (perhaps even a great job) in controlling the information environment and building a large national guard to quell uprisings and protests.

Two issues prevail in Russia: the war and the energy sector. The wartime economy is running full bore and has the elements of trouble underlying its otherwise rosy picture. Some analysts believe the economy will collapse at some point, but time is the distinguishing factor.

Wartime Economy: Much ink has been spilled extolling the resilience of the Russian economy in the face of brutal sanctions and alternatively predicting its imminent implosion. Russia's war economy, now approaching its fourth year, is facing mounting challenges, including growing economic imbalances, rising inflation, and labor shortages. None of these problems has been severe enough to force Vladimir Putin to halt the war. It bears noting that the impact of the poorly performing economy on the people does not concern Putin. Rather, it is the economic impact on the business elites that gives him pause. The economy will not cause the regime to fall. It is simply one of the main factors that make stability brittle.

Reporting indicates the war in Ukraine costs Russia somewhere between \$500 million and \$1 billion every day, so a look at Russia's economic indicators will give some hints into how the course of the war may progress and for how long. Defense spending has been significantly increased to a third of the state budget, and the budget shortfall was almost five times as wide as in the same period of 2024. Russia's economy contracted in the second quarter and will continue into the third and fourth quarters. Some believe stagflation has already begun.

The government planned to tap its fiscal reserves for 447 billion rubles (\$5.51 billion), or about one-tenth of its liquid assets, to balance the budget in 2025. Against the backdrop of rapidly depleting domestic reserves, Russia has already sold off more than half of the gold reserves of its National Wealth Fund. No one knows what will happen when its liquid assets run out.

The "official" inflation rate is high (above 10%). Some analysts believe the unofficial inflation rate is above 20%, with some evidence supporting this assertion. Normally, the Central Bank would be forced to raise interest rates, but the opposite has happened. The prime rate was 21% until June 6, 2025, then landed at 16% after successive cuts throughout the fall.

Multiple reports indicated that manufacturers of military goods were forced to sell their products to the Kremlin at prices below what it cost to produce the items, forcing industries to burn through reserve capital, thus giving indirect loans to the Kremlin. Interest rate relief will be helpful, but lengthen the timeline for the economy to fail. Finally, the economy is experiencing severe labor shortages, particularly for skilled workers.

Energy Sector: Russia's main source of income is the energy sector, which has been hard-hit by

depressed global prices and Ukrainian drone strikes. Revenues from oil and gas, the lifeblood of the economy, have been severely reduced due to sanctions and infrastructural shortcomings. Prices for Urals crude, for example, have decreased by 51% since the start of the war in February 2022 (\$91.85 down to \$54.56).

Lower oil prices will reduce Russian budget revenues and slow economic growth. If the average export price of Russian crude oil is \$55 a barrel in 2025 and \$54 in 2026, rather than the respective \$70 and \$60 assumptions of Russia's budget framework, some analysts' forecasting models indicate that Russian GDP growth would remain about one percentage point lower in both 2025 and 2026. Lower economic growth will reduce other government revenue streams than those from oil & gas earnings (for example, sales taxes and profit taxes paid by corporations).

In any case, Russia will sustain war spending despite higher deficits. Russia has multiple ways in which it could cover these upcoming deficits, such as tightening taxation and reducing spending in other budget categories. The government could also increase its indebtedness. It could also resort to central bank financing. Such a move would increase already high inflationary pressures and could drive the Russian economy into crisis over the longer term.

Several indicators point to a downward trend in the economy and the ability to sustain the fight. Some forecasters see the breaking point for the militarized economy occurring as early as mid-2026 when Russia may run out of currency reserves. Others estimate the collapse in the mid-term, or two-to-three years. Putin's strategic gamble is that he can sustain his fight longer than the collective West will support Ukraine, or longer than Ukraine can man the fight.

Other Issues: The previous data appropriately focused foremost on the economy writ large and the energy sector. But other factors are also in play, including casualties and conscription. These are two portions of the same concern. In this case, however, it is not the elite that concerns Putin; it is the masses. Putin is so concerned that he still has not initiated total mobilization, and Russia is recruiting from North Korea, Cuba, and Africa (just about anywhere). Unfortunately, he is running out of options. These factors will not cause the regime to fall. But like the economy, they make stability brittle in Russia.

Putin's autocracy allows Russia to make rapid, centralized decisions and mobilize resources efficiently, but it also carries significant risks. Leaders often fear punishment for delivering bad news, leading to the concealment of critical information. As a result, fielded forces frequently bear the consequences of these hidden problems. Limited internal feedback and suppression of dissent prevent the identification of strategic errors. For example, readiness levels, troop strength, and logistical stockpiles are often misrepresented.

## **The Ukrainian Domestic Situation:**

Economic Situation: Nightly long-range aerial attacks on Ukrainian infrastructure continue to take a heavy toll on industrial capacity and civilian sites. For civilians, energy scarcity is becoming more dangerous for daily life, especially as winter approaches. Attacks on civilians have been met with resilience, international financial support, and growth in the defense sector.

Repeated attacks have repeatedly struck Ukraine's thermal power plants and gas transport facilities, resulting in power outages, affecting nearly every consumer in every region. Also, the

energy distribution and substation networks have been targeted, which are difficult and costly to replace. Notably, Spain and Germany have allocated funds for reconstruction and energy infrastructure repair to modernize the Soviet-era electrical grid.

The war has created massive financing requirements for the state. Ukraine's international reserves hit a record-high of \$54.7 billion in November, driven by significant inflows from international partners. External financing, mostly from the EU, for 2026, is projected to be over \$40 billion. The cost of reconstruction after the war is currently at \$411 billion and rising.

There are, however, areas of economic and domestic resilience, especially for the agricultural sector. All major trading companies exporting grain and oilseed crops have returned to Ukraine, attracting up to \$15 billion annually for exports.

Second, Ukraine has experienced substantial growth in its defense industries, which have grown more than tenfold since February 2022. Some forecasts indicate this sector has the potential to become highly competitive in Europe and take global market share from Russia. Ukraine has successfully attracted foreign financing to expand its long-range missile and drone production. There are multiple government-to-government and private sector agreements for co-development and co-production for major military equipment.

Corruption: The corruption crisis centered on the state-owned nuclear power agency, Energoatom, shows that Ukraine's internal politics remain fragile. The scandal has been described as the "worst crisis" President Volodymyr Zelenskyy has faced since the invasion, and the biggest corruption scandal of his presidency. It has resulted in the removal of two ministers, one of whom was arrested. The President's Chief of Staff was implicated, which led to his resignation.

This situation is confirmatory for many opponents of aid to Ukraine in the U.S. and elsewhere. In their view, Ukrainian corruption was rampant and well-known before the war, and then Western supporters piled billions of dollars onto the corrupt structure. Overall, Western supporters have been infuriated by the news. Western officials and anti-corruption groups have warned that the issue could disrupt arms supplies and undermine the confidence of international partners.

Putin has seized the moment and piled on with his recurring accusations that President Zelenskyy is illegitimate plus corrupt. Russian propaganda amplified the hostile message and described Zelenskyy's government as unworthy and untrustworthy in negotiations.

Despite the negative news, observers note that the development contains good news. The independent anti-corruption agencies have demonstrably been able to do their job, which may strengthen both the agency and the government as a whole. This episode also highlights the value of public mobilization and Western pressure, which can still shape outcomes.

Other Issues: In addition to energy and infrastructure challenges, Ukraine faces a growing humanitarian crisis, with millions of internally displaced civilians placing immense strain on housing, healthcare, and social services, further testing the government's capacity to maintain domestic stability.



Finally, while Putin's autocracy allows Russia to make rapid, centralized decisions and mobilize resources efficiently, Zelensky governs through a democracy (yet with significant corruption as highlighted above). Democratic leadership provides greater accountability, transparency, and public support, fostering societal cohesion and adaptive responses, but decision-making can be slower due to debate and consensus-building. Additionally, as expected in a democracy, internal disagreements create friction that can reduce the stability of the Kyiv government.

## **Big Picture Economic Implications:**

Most companies distanced themselves from Russia economically beginning in early 2022 after the initial invasion. The departure and downsizing trends continued into 2025.

Russia's deliberate restriction of gas and oil flows to European nations in retaliation for Ukraine's support forced a dramatic restructuring of European energy policy. Countries scrambled to reduce dependence on Russian energy, investing heavily in LNG infrastructure, renewables, and energy storage. While this has accelerated Europe's long-term energy transition goals, the short-term effect starting in 2022 was increased energy prices, inflation, and economic disruption. These pressures decreased in 2025 with the continued drop in energy prices, which are expected to continue their southward trend in 2026.

That said, and as reported and frequently cited by President Trump, several European nations continue to buy Russian energy, which powers their military economy. Time will tell if European nations decide to go without Russian oil and gas by ending their indirect approach of buying refined products from China and India. Hungary and Slovakia are uniquely forced to buy Russian energy directly due to proximity and the cost of retooling.

Russian economics are dependent primarily on China and India via oil purchases. Yet primary sanctions on Russia are almost irrelevant. The key will be secondary sanctions or political moves to influence India, European nations, and possibly China with an economic deterrence strategy.

President Trump imposed additional tariffs on India to entice India to stop this practice. President Trump said in early December that India's President Modi assured him that India will wean itself from Russian oil, but many are skeptical that this will happen because it is so lucrative for India. Similar U.S. threats have been made to China, but there are no tariffs targeting China's purchase of Russian energy. Russian energy exports are critical for the sustenance of its economy, given the reallocation of resources to defense expenditures. Without robust exports of oil and gas, the Russian economy would be in crisis.

The EU implemented its 18th set of sanctions against Russia last July. More recently, it implemented its 19th package, targeting Russia's critical infrastructure (energy, finance, defense industry, etc.). Similarly, the U.S. Congress laid out a strong list of sanctions against Russia. President Trump followed by imposing sanctions on Russia's oil infrastructure, then threatened to impose harsher sanctions in the future. Russia has found ways to get around or mitigate many of the sanctions to date.

Russia's war against Ukraine has stimulated increased global defense spending, specifically by NATO members. Key observations from the use of drones and other advanced technologies

created additional innovation investments within Alliance defense sectors for both proactive measures and countermeasures outside of the major defense suppliers. Military capabilities with increased agility via rapid innovation are fueling interest and investments across the globe in defense technology companies.

Ukraine is resilient to a point. The key points of agricultural and defense tech are driving outside funds, which are benefiting them. However, leadership trust, given the corruption overhang, is a concern.

A key open question is whether the U.S. and its allies are better off with a Russian economic collapse driving chaos, or a less-than-optimal negotiated peace, at least to stop the fighting and buy time for a better Eastern European strategy?

*This information is being provided for information purposes only and should not be construed as an offer to sell or a solicitation of an offer to buy any securities. Nothing in the material should be interpreted as investment, tax, legal, accounting, regulatory or other advice or as creating a fiduciary relationship. Product names, company names and logos mentioned herein are trademarks or registered trademarks of their respective owners.*

*Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the author and/or the specific area from which it originates and may differ from the views or opinions expressed by other areas or employees of Bancroft Capital, LLC. The information described herein is taken from sources which are believed to be reliable, but the accuracy and completeness of such information is not guaranteed by us.*

*Bancroft Capital, LLC is a member of FINRA and SIPC.*