



Insights July 22, 2024
Post Elections

As Europe Decides
The Year of Change

As Europe Decides: The Year of Change

Europeans have made their choice on the course of the European Union until the end of this decade. **FGS Global will continue to help you unpack the fallout of the European elections and recommend actions for companies. Set the stage now for your success over the next five years.**

In a nutshell

- **Commission President Ursula von der Leyen was reelected by the European Parliament** on July 18 and is set to serve a second five-year term.
- **The broad coalition supporting von der Leyen has held**, giving her a significant majority with 401 votes in favor and 284 votes against. She now has the mandate to start building a new College of Commissioners.
- Mindful of limited financial firepower of the EU level, **von der Leyen doubles down on the single market as Europe's growth engine**. Her political guidelines are geared towards improving competitiveness while continuing climate action and unlocking private money to kickstart investment.
- **The European Parliament is ready for business**. Under the reelected EP President Roberta Metsola, the Parliament is getting its committees organized to move on both lawmaking and on the hearings with Commissioner-candidates from early September to late November.

Take action. Right now.

- **Reach out**. While it may seem like all of Brussels has set sail for sunnier shores or explores a breath of fresh air high up on a mountain peak, a significant part of the institutional crowd is holding the fort. Especially in the Parliament a new cohort of assistants and MEPs is using the weeks until mid-September to get up to speed on key issues in their parliamentary committees. Reach out, offer your help, and dust off your manifestos and position papers.
- **Plan ahead**. There's only three working months between the EP reentry in September and the final plenary of the year mid-December. Those months will be jam-packed with events and political gatherings. Plan wisely and pencil in your Q4 engagement right now.

Agenda

- **22 to 25 July** – Constitutive parliamentary committee meetings in Brussels
- **By end of summer** – Member States to announce their nominees for Commissioner
- **Early September** – Draghi report to be published
- **September through October** – Commissioners-designate hearings
- **November** – State of the Union speech by Commission President
- **1 December** – Antonio Costa to succeed Charles Michel as Council President
- **Mid-December** – new College of Commissioners takes office, resumption of legislative business

Building bridges

Getting reelected after a tumultuous first term is already a victory. Getting reelected with an even greater majority surely is a feat to celebrate for President von der Leyen. A **broad alliance of pro-European forces** bridging the center-left and the center-right – from Greens, Socialist & Democrats (S&D), Renew, European People’s Party (EPP) to the moderate part of European Conservatives and Reformists (ECR) – supported von der Leyen and returned her to her post at the helm of the European Commission. With 401 votes in favor and only 284 votes against, **she has a solid mandate to build a new College of Commissioners** and deliver on her campaign promises, and the ambitions laid down in her political guidelines.

Reflecting the power balance in the EU Member States, her coalition includes almost all governing parties in the national capitals and underlines the perceived **need for stability and predictability in Brussels**. None of the main political families has any appetite for experimentation in the engine room of Europe’s executive, especially not given the surprising results in France’s most recent elections, and the resulting difficulties for the Macron government. Reflecting the vote result and the fact that the President found support from political groups which up until recently refused any form of political cooperation, one could argue she was a candidate of conviction for some, but a candidate of convenience for most.

Among the main parties in Brussels there is broad consensus **on a few key priorities** – restoring competitiveness, supporting Ukraine, fighting climate change, and tackling Europe’s cost-of-living crisis. Even more important to some is the increased emphasis on a new European defence policy, with a dedicated Commissioner, new funds, and a push for a single market for defense products and services. **Nevertheless, significant disagreements remain**. As EU debt used to finance the EU’s post-pandemic economic recovery efforts matures, several highly politicized areas of legislation (e.g. agriculture and EU Green Deal rules) are up for review. As the debate about EU expansion towards Ukraine, Moldova and the Balkans continues and center-right groups stick to their promises on deregulation (“one in, two out”), we anticipate a **legislative slowdown and potential political gridlock on some files**.

It will be down to the President – and her team – to keep Brussels moving forward. As key demands put forward by her coalition parties differ vastly and majorities are far from guaranteed, **a rocky road lays ahead for the new Commission.**

Political guidelines or coalition guardrails?

In her political guidelines, the newly elected President made a first attempt at **squaring the circle** of the oftentimes contradicting views on the future of Europe presented by the main political families. Nonetheless, from her guidelines, we can distill a number of key takeaways which policy experts and public affairs heads should keep in mind for the next years to come.

- **A Clean Industrial Deal** will be announced in the first 100 days, to decarbonize and industrialize the European economy. This prepares the way for a **90% CO2 reduction target for 2040**, to be enshrined in the European Climate Law. The President **stays the course on the EU Green Deal.**
- **The Commission will be doubling down on the Single Market**, with a focus on services, energy, defence, finance, telecoms and the digital sector. This will be coupled with a **new approach to competition policy**, allowing companies to scale up in a global market and ensure a level playing field – explicitly mentioning a new way to assess mergers.
- The President aims to **boost competitiveness and make business easier by simplifying regulation** – reaching out to stakeholders calling for deregulation – and by **introducing a 28th legal status** for companies with simpler, harmonized EU rules – as proposed in the Letta report.
- With about half of her majority made up by centrists and conservatives vying for the rural vote, the President is **careful on agriculture policy reforms**, putting food security at the top of her farm policy priorities. Still, she commits to rewarding farmers for eco-friendly farming practices. We anticipate a highly polarized debate on the new Common Agriculture Policy from early 2025 onwards.
- A long-awaited **new chemicals industry package**, including a simplified REACH and legislation on PFAS, will be in the Work Program of the new Commission.
- **A revision of the Public Procurement Directive**, to allow a preference to EU products (“Buy European”) in still-to-be-defined strategic sectors, will truly reshape the way governments can do business – possibly opening doors which so far had been closed to European mid- and small-sized producers.
- **The President aims to deliver on defence**, with a **Commissioner for Defence** and a **White Paper on the Future of European Defence** in the first 100 days. Expect a reinforced **European Defence Industry Programme**, a new **European Defence Fund**, and joint procurement on the Single Market for Defence products and services.
- Underpinning these changes will be **review of the EU budget**: fewer funding programs, more strings attached to kickstart national reforms, a European

Competitiveness Fund for targeted EU investment in IPCEIs, and new own resources – not excluding new EU taxes. The next Commission will set the course for the next seven-year EU budget 2028-2035.

These guidelines are not sacrosanct but will steer the Commission's work from the get-go and provide the Commission with a template to measure its own progress against. Political groups in the meantime will use, in the absence of a coalition agreement, use this as a yardstick – both towards the President, and towards the rest of the Parliament.

Parliamentary positioning

In a surprising show of unity, the far-right group previously known as Identity and Democracy rebuilt itself as Patriots for Europe and incorporated a host of independents and political outsiders, like Hungarian prime minister Orban's Fidesz party or Czech oligarch Babis' ANO. Ballooning to 84 seats, the Patriots now form the third-largest grouping in the EP's hemicycle. Simultaneously, an even further yet smaller right-wing bloc of 25 members established itself as the Europe of Sovereign Nations group. Here, the German AfD is joined by a handful of national delegations truly on the far fringes of politics, with outspoken antisemites like the Polish Konfederacja and the Hungarian irredentists from Mi Hazánk. By assembling in these groups, these political forces are able to lay claim to a greater part of the EP's financial resources and play a larger role in lawmaking.

Despite this emboldened right wing, the main pro-European centrist parties maintained a "cordon sanitaire" **to keep out far-right candidates from key positions** in the European Parliament. Instead, on Tuesday and Wednesday, **MEPs voted along party lines to reaffirm incumbent EP President Metsola and install 14 VPs and 5 Quaestors** from all political groups, excluding the far-right "Patriots for Europe" and "Europe of Sovereign Nations" groups.

We expect a **similar development on the committee level** next week, where candidates from the far-right "Patriots for Europe" and "Europe of Sovereign Nations" will be kept out of committee chair and vice-chair positions. Nonetheless, we can expect **topic- and issue-driven informal coalitions** between the center-right and the far-right during the next legislative mandate – notably on all matters dealing with environmental and agricultural regulation.

Notable Parliamentary VPs are **Sabine Verheyen** (Germany, EPP), a close ally Germany's opposition leader Friedrich Merz, and **Katarina Barley** (Germany, S&D), a confidant of Germany's chancellor Olaf Scholz. Surprisingly, former Belgian Prime Minister **Sophie Wilmès** (Renew) has committed to European politics rather than pursuing a new term back home.



Our team

Experts at FGS Global bring together decades of government and consulting experience, combining geopolitical and regulatory expertise with a corporate and capital markets perspective.

Our team spanning across Europe can provide unique insights into stakeholder perception and reputation to help companies engage stakeholders effectively – especially in a year of change.

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