As Europe Decides

Around 400 million voters will take part in the European elections in June 2024, setting the direction of the European Union until the end of this decade.

Each month, FGS Global will help you unpack the core themes of the election campaign and recommend actions for companies. Set the stage now for your success in the next five years.

In a nutshell

— Europe's **farmers protests** kicked off the unofficial election campaigns. Whether candidates fully coopt the protests or still support a green overhaul of the EU's agriculture policy will be decisive for the agrifood sector in the next five years.

— The open ends on **carbon pricing**, **pesticides** and **new genomic techniques** lend themselves to heated debates – and expect a new Commission to pick up immediately and work on **new legislation**.

— Better late than never: the **EU Defence Industrial Strategy** came into being. Boosting mass-production and building a functioning internal market for Europe's defence industrial base will be high on the agenda in the next term. Despite Russia's war against Ukraine and shared concerns about another Trump presidency in the US, it will be hard to get consensus among EU capitals.

Take action. Right now.

— **Mobilize.** Most internal stakeholders are unaware of the elections in early June. Get them thinking and motivate them to go to the polls. Europe is too important to be left to radicals.

— **Engage**. Even in the year of change some certainties are guaranteed. Roughly a third of all incumbent MEPs is expected to return. This is the moment to engage with your counterparts, wish them the best of luck, and set up a meeting for mid-June.

Agenda

- **4 to 6 April –** EU-US Trade and Technology Council
- **17 April –** Report by Enrico Letta on Future of Single Market
- **17 to 18 April –** Special European Council on Single Market
- **22 to 25 April –** Final plenary of European Parliament mandate
- **29 April –** Maastricht European Presidential debate
- **6 to 9 June –** European elections
- **13 to 15 June –** G7 Summit
- **17 to 18 June –** European Council meeting
- **End of June/early July –** Report by Mario Draghi on competitiveness

Coopting farmers' protests

Across Europe, farmers have blocked inner cities, highways and border crossings to protest agricultural reforms, falling commodity prices, and to express a general feeling of dissatisfaction with their representatives. **These protests across Europe present the most significant threat to the EU's green agenda yet** and have already forced policymakers to water down or in some cases withdraw certain agriculture bills. Europe's biggest political grouping, the centre-right EPP, is seeking to piggyback on the protests, and has thrown in its lot with the farmers. The group now argues for slowing down or reversing the raft of legislation meant to reduce carbon emissions from agriculture – despite **Commission President Ursula von der Leyen**, an EPP stalwart, primarily responsible for pushing the EU's Green Transition. Wary of the backlash, she is now rebranding herself as a friend to Europe's farmers, and some reports suggest she is running against her own legacy. Her party congress adopted "**agricultural competitiveness"** and a "**European Farmers Deal",** which replace the Green Deal from yesteryear. Expect the EPP to try and mobilize the countryside, especially in the EU's periphery.

In contrast, the left, led by the **Social Democrat Nicolas Schmit** and supported by the **Greens' Bas Eickhout and Terry Reintke**, have not suggested tinkering with the environmental and agricultural legislation already on the books. Instead, they want to prioritize smallholders and ensure agricultural reform is equitable, does not harm distort social cohesion or food prices, and have warned against market consolidation of the biggest agrifood companies.

What's on the table

The protesting farmers - and the trade associations that represent them – have a host of policy demands, including:

- An **increase in Common Agricultural Policy funds**
- More efficient mechanisms to access **supplemental subsidies** known as Good Agricultural and Environmental Conditions (GAEC) standards
- **Reduce imports of Ukrainian agricultural products**, which they argue is distorting the market
- An **end to the EU's Free Trade Agreement negotiations**, particularly with the Mercosur group of South American countries
- A **reversal of Green Deal** initiatives

Even two years ago, these demands would have been scoffed at, but now they have traction. As the far-right challenges the center's ability to connect with rural voters, many of whom suffer from economic pressures, farmers have seized the opportunity. An EU bill to cut halve pesticide use has been withdrawn. The bill was part of the broader so-called **"Farm to Fork" strategy**, meant to revolutionize the bloc's **food production, consumption and recycling, is in jeopardy**. Half of the proposals under package have not been published; less controversial issues like the correct marking of dates, rules on nutrient profiles, and the enforcement of existing rules on food fraud have also been snarled in the political battle over Europe's farmers.

Whatever the protesting farmers might say, the bloc's climate legislation has largely left the bloc's agriculture sector untouched. Derogations to environmental rules and pollution standards are the norm. **It is impossible for the EU to meet its climate targets without decarbonizing agriculture,** and as long as that is the case, societal and regulatory pressure on the agrifood sector will continue.

Despite the current pushback, we expect the stuck, delayed or derailed legislation will still be on the agenda in some shape or form in the next mandate. An overhaul of the rules governing Europe's agrifood architecture is considered overdue, and the next European Commission will continue to be under pressure from advocacy groups, corporations and policymakers to do something about it.

Below, we've rounded up some other notable legislation and how we see it developing over the next mandate.

Carbon Pricing

The sector should expect a push to include **emissions from large-scale cattle, poultry, and pig farms under the EU's industrial emissions rulebook**, and to **include agricultural CO2 emissions in the EU's Emissions Trading System** (ETS). Ensuring the emissions from agriculture are effectively priced is likely to increase costs and food prices, and the question is who – farmers, technology providers, processors, consumers, governments - will bear those costs.

CAP Reform

The most recent reform of the EU's Common Agricultural Policy (CAP) saw a partial shift away from subsidies based on the amount of farmland to environmentally beneficial activities deployed by farmers. This changed methodology of allocating funds, combined with a decrease in the relative size of the agricultural budget, has caused pushback, especially from those member states that stand to lose more subsidies. With one eye towards a potential expansion of the bloc and another towards the EU's green deal aims, the next CAP reform, which will enter into force in the next mandate, will be crucial before the bloc gets serious about letting in any new members, especially Ukraine.

Pesticides

The European Commission withdrew the proposed **Sustainable Use of Pesticides Regulation (SUR)**, but we expect chemical pesticides to remain a **high priority in the next mandate**. The Commission faces pressure from NGOs to address the issue on the grounds of health and safety and restoring biodiversity, while the private sector is asking regulatory predictability on the next generation of crop protection products. The next administration will drop the controversial "SUR" label but will likely legislate on pesticide use in some capacity. There is a large market for sustainable alternatives to chemicals, and **farmers are keen on adopting alternatives** if they are proven effective and affordable. The EU has a significantly longer and more arcane process to approve new crop protection products, which is hampering its ability to encourage innovation. Expect this to be an ongoing debate in the new European Parliament. This debate could have an impact on the bloc's risk assessment framework for crop protection products altogether.

New Genomic Techniques

The EU's proposal on **new rules for biotechnology** is currently stuck and unlikely to get approved in this term. The greatest point of contention is patenting, with some countries afraid that only a handful of corporations would dominate the food chain. A proposed compromise to ban patents on only some NGT plants could unlock the stalemate, but it requires the assent of all three EU institutions. On 20 March the Commission finally published a **Communication on biotech and biomanufacturing**. The initiative is meant to provide businesses the opportunity to engage with policymakers on future legislation in the sector.

Additionally, the Commission has set up a **strategic dialogue for agriculture** bringing together relevant stakeholders from the agrifood ecosystem to discuss the needs of the sector. The group will publish a report this summer, which will serve as a basis for future legislation, and is surely to prepare some minds for the upcoming CAP reform debate in the European political arena. The dialogue – and the Commission – are already preparing for COP 30 in Brazil, where transformation of global food systems will be at the front and center.

And now for another urgent topic: European defence

In early March, the Commission has tabled a proposal to boost Europe's military industry, called the **Defence Industrial Strategy**. The Commission President calls for a dedicated Defence Commissioner tasked with (re)building Europe's military industrial capacity, and creating a functioning internal market for defence. In that vein, we expect a strong push for pan-European defence procurement, greater standardisation, and a change in procedures to push for more mass production – both in terms of equipment and munitions. Coupled with faster turnaround on permitting and aid approval, this would be the next big thing in keeping Europe secure. That's the plan, anyway. Member states are known to get tetchy around questions of defence policy (just see the debate around NATO's preferred target for defence spending). Nonetheless, the Russian war against Ukraine and the prospect of another Trump presidency in the United States has sufficiently spooked Europe to pay its defences more attention, and legislators hope that by building a business case to boost EU production, the continent can better defend itself. Defence policy is unlikely to become a major campaign issue, but expect thorny debates once it shows up in the next Commission's Work Programme.

Specifically, the Commission wants Member States to **buy at least 50% of defence equipment from European producers by 2030** (currently 70% of EU defence purchases come from the US.) The "buy 50% EU" target is very bold and will likely get pushback from capitals that are currently buying off-the-shelf kit from the US, but also UK, South Korea, Turkey or Israel or invest in new cross-border platforms beyond the EU (e.g. UK, Italy and Japan teaming up for a new fighter jet). The 2030 target of EU countries buying at least 40%

of their defense equipment by working together is also very far from the current reality. Member States tend to favor and procure from their own industrial champions. While there is the prospect of substantial efficiency gains by pooling their purchasing power, this target can only be achieved with buy-in and political will across Member States.

The Pulse: conversations in the capitals

New faces and familiar voices for the next Commission

National governments are slowly releasing the names of their candidates for the next European Commission, with the smallest states leading the pack. Malta will nominate Deputy Prime Minister Chris Fearne, whose background is rumoured to be a perfect fit for the portfolio of a Health Commissioner. Luxembourg's centre-right government will put its weight behind MEP Christophe Hansen, former right hand of MEP Astrid Lulling and a close ally to former Commissioner Viviane Reding. The new conservative government is eyeing an ambitious role in the next five years, aiming at the Internal Market or SME portfolio.

In Italy, ever more signals point to European Affairs Minister and former MEP **Raffaelle Fitto** and Foreign Affairs Minister and former Commissioner **Antonio Tajani** as the two top candidates for the Italian seat in Berlaymont. The Meloni government is keen to replace social democrat **Paolo Gentiloni** – either with a close ally from Meloni's own party or with the leader of her main competitor on the centre-right.

The Irish Commissioner will be nominated by the Fianna Fáil party as part of their coalition agreement. This closes the door to incumbent Commissioner **Mairead McGuinness** and instead opens one for the Irish Finance Minister **Michael McGrath**, who holds the best cards to succeed her.

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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