



Insights June 4, 2024

As Europe Decides
The Year of Change

As Europe Decides: *The Year of Change*

Around 400 million voters are invited to go to polls in later this week, 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 over the next five years.

In a nutshell

- Despite the backlash against elements of the EU Green Deal, the broad Parliament consensus on the need for climate action will persist. But the debate on how to take action – and which sectors to give a pass – is getting more heated.
- Spain's political elite is using the European elections for a broad reshuffle, with senior ministers poised to take up new careers in Brussels, and the threat of a general election looming over the current government.

Take action. Right now.

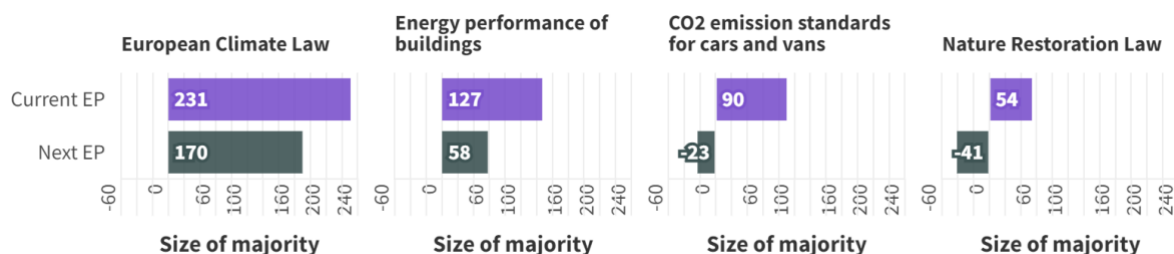
- **Finalize your outreach plan.** With a clear understanding on who will return to Brussels – and who won't – these are the final moments to get a comprehensive outreach strategy in place to welcome old friends and establish new contacts, both among MEP and assistants.

Agenda

- **6 to 9 June** – European elections
- **13 to 15 June** – G7 Summit in Fasano, Italy
- **17 to 18 June** – European Council meeting
- **End of June/early July** – Report by Mario Draghi on competitiveness
- **26 June to 17 July** – EP coalition negotiations
- **2 to 5 July** – Political group study days with new MEPs
- **16 to 19 July** – First plenary session of the new European Parliament
- **17 or 18 July** – Election of new European Commission President

- **September through October** – Commissioners-designate hearings
- **November**, State of the Union speech by Commission President
- **December**, new College of Commissioners takes office, resumption of legislative business as usual
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Our data shows shifting majorities on the Green Deal



A rough ride for climate legislation in the next term

The European Green Deal, the outgoing Commission’s most prominent legislative package, is increasingly facing difficulties into making it across the finish line in key areas. Whereas some earlier climate laws passed with great majorities – for instance the key European Climate Law or the new rules on insulation standards for real estate – more recent rules only barely made it through the Parliament and have become log-jammed in negotiations with the member states. Recent modelling of voting patterns in the next European Parliament, based on EU Matrix data and considering the new EP composition and the positioning of the main parties, shows that things will not get easier in the next five years. Especially in those policy areas where climate rules have become part of an outright culture war – like automotive mobility and agriculture – new legislation and implementing measures could grind to halt. It’s not easy being green, as the new European Commission is likely to find out. But the next Commission will



have to propose a framework for climate policies beyond 2030. A lot will depend on policy design, and whether concrete measures are perceived as being too costly for individuals.

What's moving Madrid?

Politics in Spain operates at a fast pace. Amidst a barrage of national, regional, and municipal elections, the country is in a constant state of electoral campaigning – with a polarized political system to show for it. With a broad and at times fragile coalition government led by the second-largest political group in Parliament and chaired by the young and ambitious **Pedro Sanchez** but supported by a highly diverse cast of progressive characters, any contentious topic has the potential to escalate domestic tensions.

In Spain, these domestic tensions tend to project onto the global stage. This is evident in issues such as the divided support for Ukraine following the Russian invasion, the recent recognition of the state of Palestine, and the abandonment of the Sahrawi cause, which had been a long-standing state policy agreement among the main parties until recently.

Spain's battle for economic revival

Domestic political instability since the 2008 financial crisis has made it difficult to tackle some **long-standing economic imbalances**: Spain continues to battle with high unemployment and stubborn youth unemployment, and faces a decline in purchasing power exacerbated by inflation and low wages. Tax rates have remained relatively high while the **lack of affordable housing** – a constant feature of especially young Spaniards' life – has become another factor in the ongoing demographic challenges Spain is grappling with. These issues are exacerbated by structural weaknesses in Spain's economy: decades of deindustrialization and lack of investment in R&D have weakened the economic base, whereas a resistance to modernize the important agricultural sector is increasingly painful in the face of droughts and creeping desertification of arable land. Finally, the alleged mismanagement of European recovery funds combined with conflicts between the national government in Madrid and regional governments have further ignited the political debate.

The role of Europe in Spanish politics

In this context, Europe often becomes more of an afterthought than a resource to leverage – with Spanish politicians primarily turning to Europe as either a last resort to mediate in national conflicts, or to strengthen Spain's position on the global stage. Therefore, while Brussels is not usually the focal point of public discourse in Spain, these European elections have gained relevance over the previous weeks in the national debate. The conservative Popular Party (PP), leading the opposition, has framed these as a referendum on the Sánchez government, capitalizing on their expected victory, even in the face of tightening polls.



The prime minister's Socialist Party (PSOE) has taken up the challenge by nominating **Teresa Ribera**, one of the government's most respected ministers, as their lead candidate. Their sights are set on her becoming the **new Commissioner for Energy and or Environment** and actively **shape Europe's industrial and environmental policy** in the Berlaymont. Ribera would be well placed to set Europe's course on renewable energy, green hydrogen, and on reinvigorating the automotive sector – an unsung hero of Spain's socio-economic foundation struggling with the transition away from the internal combustion engine and towards electric mobility. Other well-known figures in Spanish politics, such as former Health minister **Leire Pajín**, were also included in the list, and will likely be led in Brussels by veteran MEP **Iratxe García**, who aims to retain her position as chair of the social democratic group in the European Parliament.

In response, the PP has countered by appointing **Carmen Crespo**, who until recently served as the regional Minister of Environment in Andalusia, as their number two. Crespo has been embroiled in intense disputes with Teresa Ribera regarding environmental issues, particularly concerning the Doñana National Park – one of the focal points of the ongoing conflict between environmental protection and the interests of Spain's agricultural establishment. Notable names also include **Fernando Navarrete**, a senior official at the Spanish national bank, and **Alma Ezcurra**, the protégé of Madrid's mayor Isabel Díaz Ayuso. The stage is set for an intriguing political showdown which may make or break political careers.

High turnout anticipated

The special nature of these elections is **expected to drive high turnout**, with more media coverage than during previous European elections. Aside from the earlier-mentioned high-profile new candidates, most parties seem to reward experience, with the conservative PP likely to return 11 out of 13 sitting MEPs, and far-right Vox sending 3 out of 4 current members back to Brussels and Strasbourg. The liberal Ciudadanos – which proved to be a promising third party in the Spanish system – has all but collapsed and will not return at all. Smaller left-wing, regionalist and independence parties traditionally see a higher churn, with the PSOE aiming to keep experience in its ranks and serve as a key pillar of the social democratic bloc in Brussels. Nonetheless, given the expected changes throughout the European Parliament, committee allocations and roles within the grand scheme of things are likely to change, making this the **perfect moment to rekindle connections** with established counterparts in the main Spanish delegations, and **pursue new contacts** among the newly elected members.

In the background of this, the ongoing investigations into the alleged corruption of prime minister Sanchez's wife and the debate about the state of Spanish rule of law following a controversial amnesty granted to some Catalan independence activists paint the scene of a political environment in flux. General elections have been called on less controversial topics, and opposition parties are preparing for new elections in fall should the government prove unable to pass a budget. Whatever the outcome of the European elections, Spain's political



system is **likely to remain unpredictable** and unlikely to give the leader of any Spanish coalition government the breathing space to take up the role of a mitigating factor in Brussels.

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.

Biancastella de Angelis – Partner, Brussels

Ayrton Thevissen – Partner, Brussels

Reinhard Hoenighaus – Managing Director, Berlin

Francesca Micheletti – Director, Brussels

Susan Schneider – Director, Brussels

Jimmy Bastings – Associate Director, Berlin

Eve Davies-Tsagkadakis – Associate Director, Brussels