

Superwahljahr 2024 - an elections major

Politische und regulatorische
Trends aus Brüssler Sicht

A Brussels perspective on
political and regulatory trends

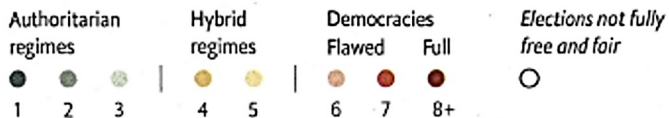
Thomas Wulf, EUSIPA

Wien 2024

Elections 2024

A global issue

Countries with an election in 2024, by democracy score



Mexico, July Morena's re-election as ruling party is almost assured, and Mexico will have a woman president for the first time.

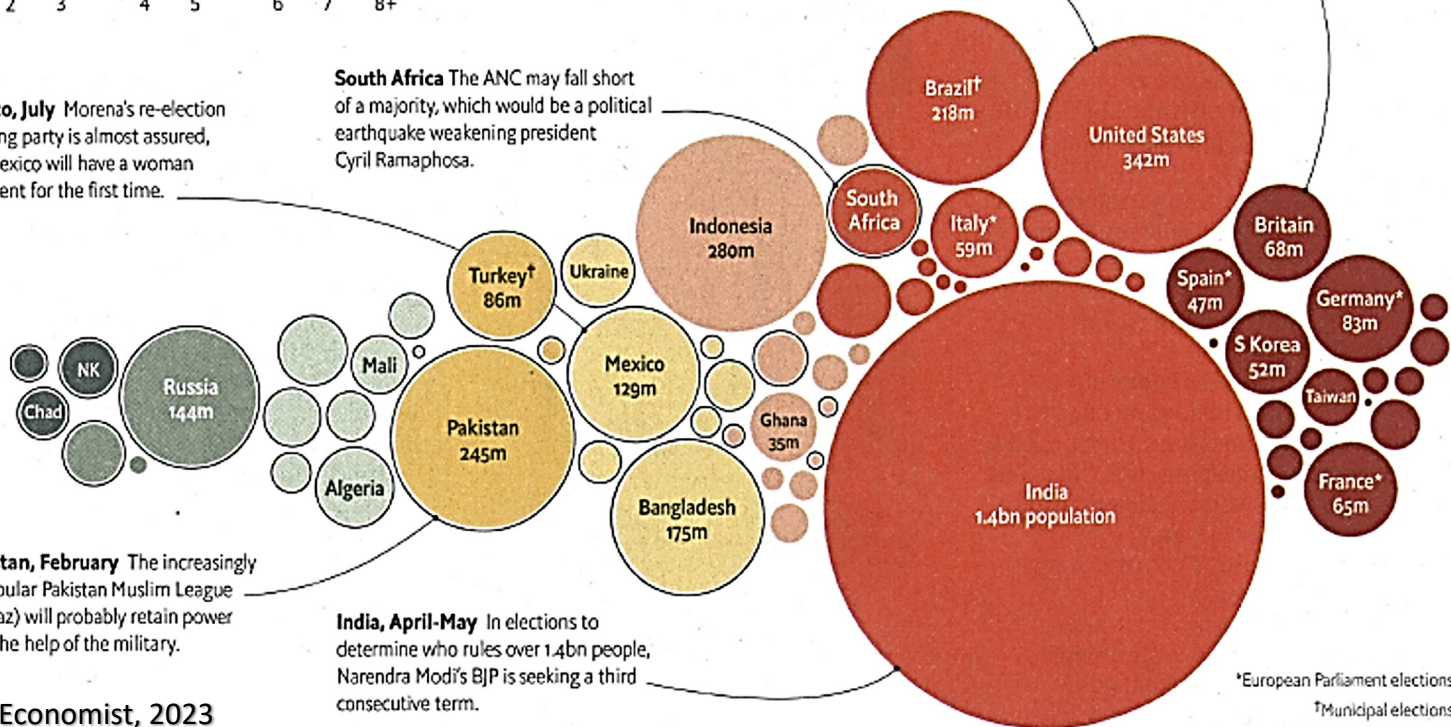
South Africa The ANC may fall short of a majority, which would be a political earthquake weakening president Cyril Ramaphosa.

Pakistan, February The increasingly unpopular Pakistan Muslim League (Nawaz) will probably retain power with the help of the military.

India, April-May In elections to determine who rules over 1.4bn people, Narendra Modi's BJP is seeking a third consecutive term.

US, November 5th Domestic politics are likely to remain painfully polarised, but who wins matters greatly for foreign policy.

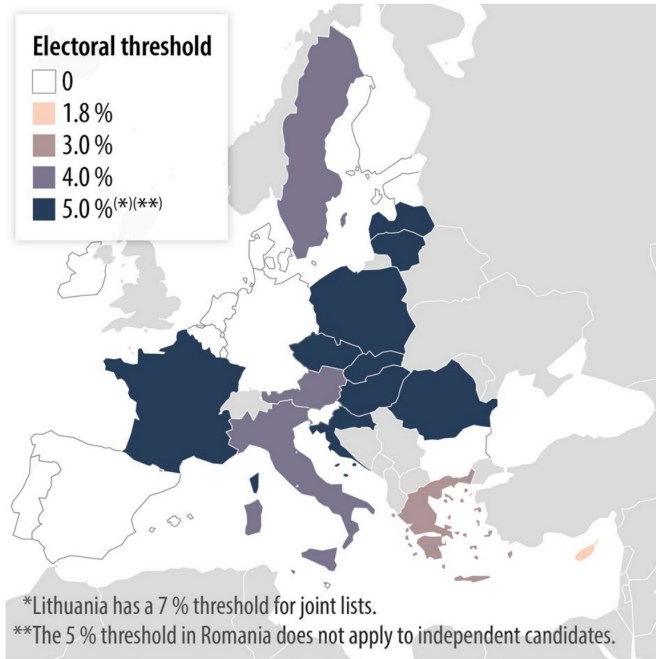
Britain A win for Labour could see the Conservatives unravel, but will also expose Labour's schisms.



*European Parliament elections

†Municipal elections

EU 2024 elections - rules of engagement



Graphic by Samy Chahri, EPRS, 2023.

Reform proposals (2022)

- “Introduction” of an EU-wide constituency
- Each EU citizen with two votes (one for a national list/one for an EU-wide list)
- EU-wide harmonised formal rules (minimum age, exclusion criteria, electoral threshold/s)

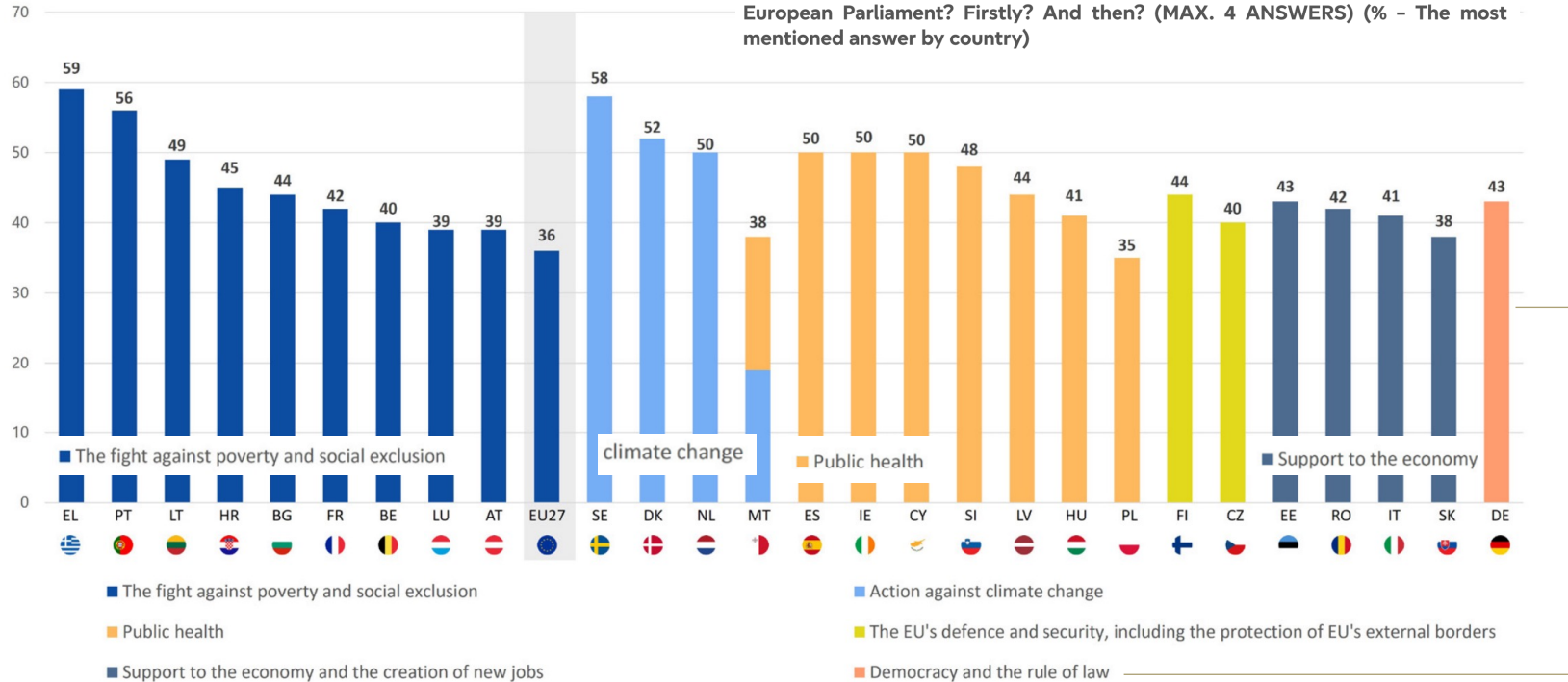
Question behind

Is there a European (EU-wide) “public”, forming an EU electorate?

Worried about what?

European Parliament EUROBAROMETER Survey Autumn 2023

Which of the following topics would you like to see addressed in priority by the European Parliament? Firstly? And then? (MAX. 4 ANSWERS) (% - The most mentioned answer by country)



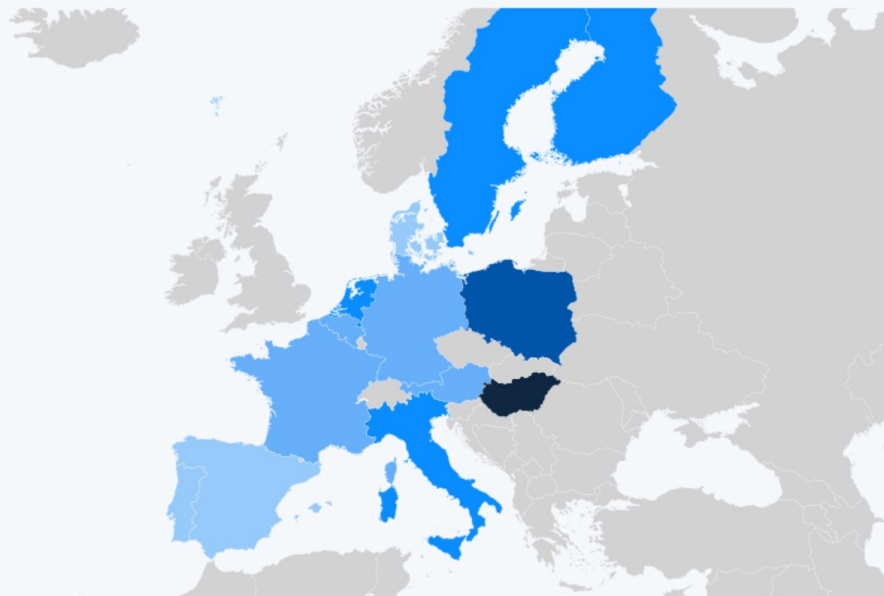
Can they solve it?

Right-wing parties on national level in 2023

Source Statista

Share of seats held by the main far-right party in the national parliament of selected EU countries*

59%	Fidesz
35%	PiS
30%	Fdi
23%	PVV
23%	PS
21%	SD
16%	FPÖ
15%	RN
12%	VB
11%	AfD
9%	Vox
5%	Chega
4%	DF

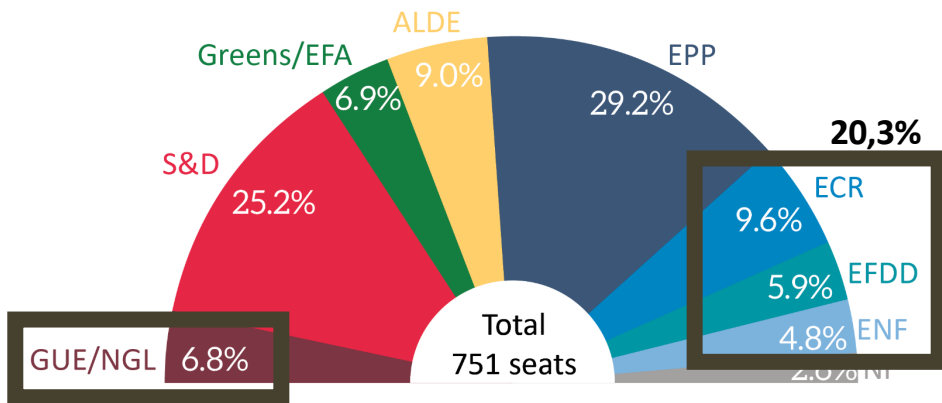


As of Nov. 23, 2023. Figure for the Netherlands is preliminary.

Eurosceptic / “far sides” – a familiar sight

EU parliament 2014-2019

OVERALL 27,1 %

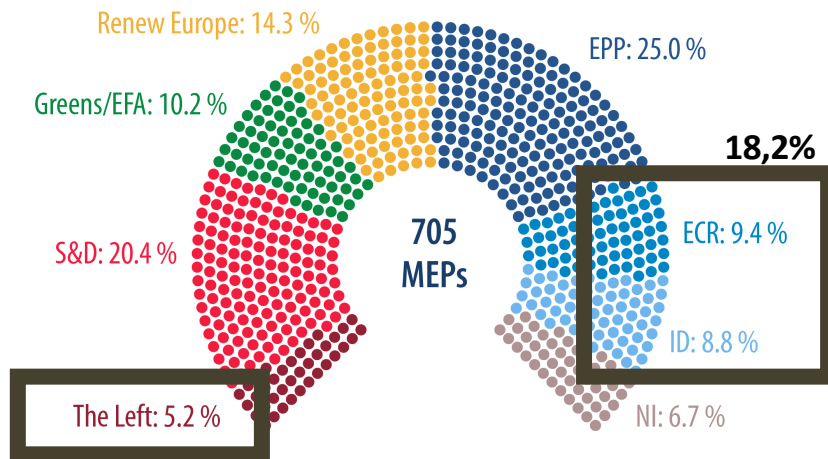


ECR - European Conservative and Reformist Group / prominent: UK Tories
 EFDD - European Freedom and Direct Democracy / prominent: UKIP and M5S (IT)
 ENF - Europe of Nations and Freedom / prominent: Rassemblement National (F)

Data and graphics: European Parliament Research Service, own research

EU parliament 2019-2024

OVERALL 23,4 %



ECR / prominent: VOX, Fratelli d'Italia, PiS, NVA
 ID - Identity and Democracy: AfD, FPÖ, Lega Nord, RN, PVV, VB
 The Left / prominent: La France Insoumise, Die Linke / also: Podemos, Syriza

Eurosceptic / "far sides" – 2024 projection (01/24)

POLITICO

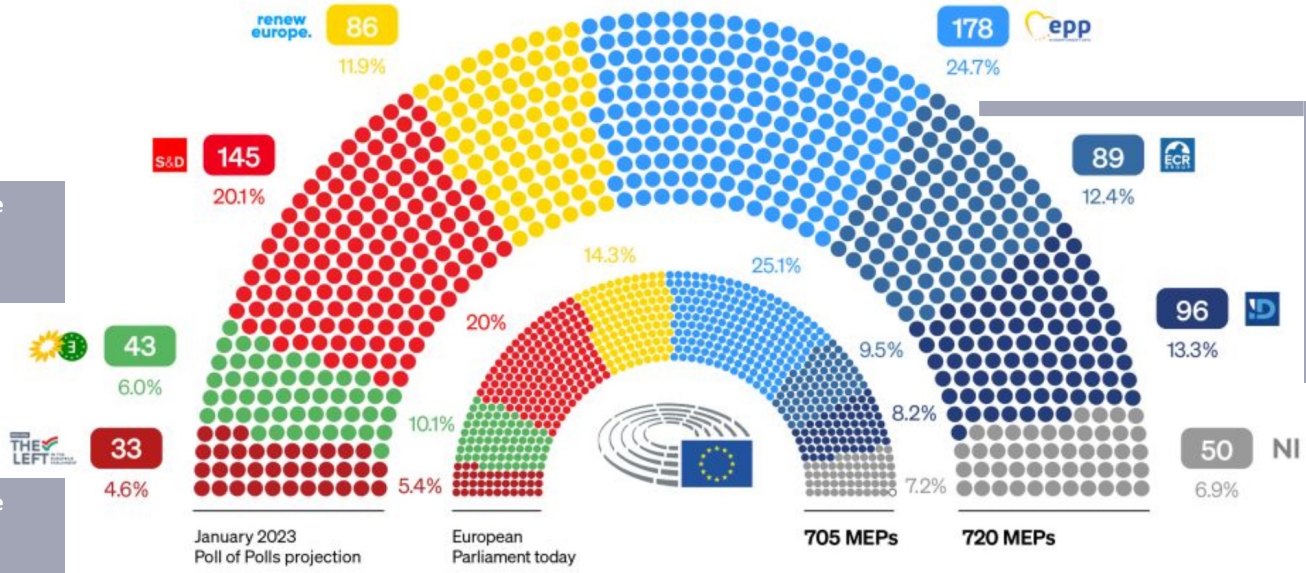
RESEARCH & ANALYSIS DIVISION

OVERALL SHARE 30%

> 360 seats absolute majority
 SD RE EPP = 409
 EPP ECR ID = 363
 RE EPP ECR = 353
 GRE RE EPP = 307
 GRE SD RE = 274

Delta/relative change
-40%

Delta/relative change
-15%



Delta/relative change (ECR and ID)
 From 17,7% to 25,7%
+45%

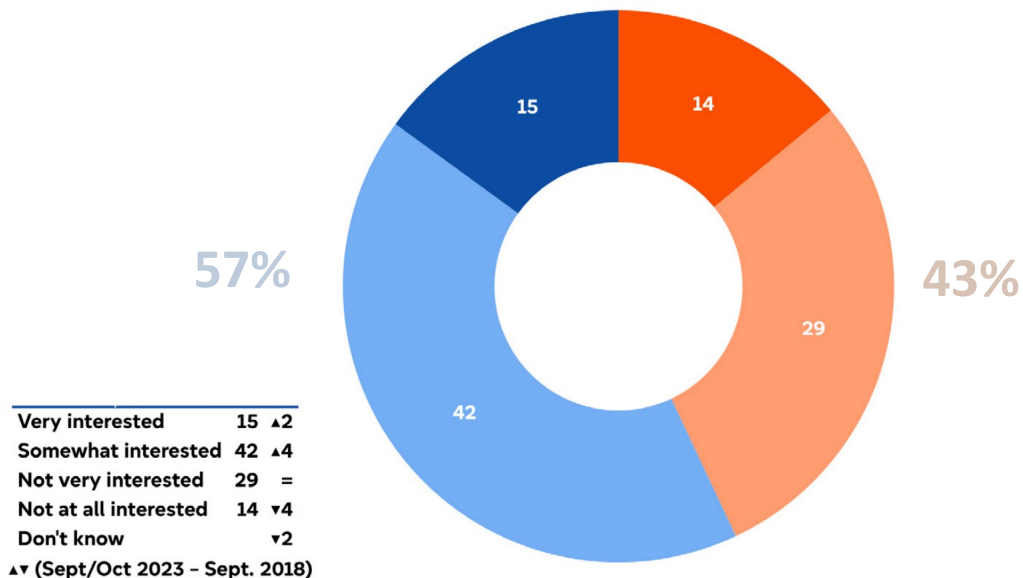
Mainstream and “far-sides” ... ?



Ready to vote?

QA14

The next European elections will be held in June 2024. How interested or not would you say you are in these elections? (EU27) (%)



Sept/Oct 2023

● Very interested ● Somewhat interested ● Not very interested ● Not at all interested

In or out? - 1



In or out? - 2





**Who will become the
2024 EP lead
candidate /
“Spitzenkandidat”?**

A long, straight road stretching into the distance over a body of water, with mountains in the background. The road is flanked by dark guardrails and has white lane markings. The sky is a pale, hazy blue. The overall mood is serene and forward-looking.

2024 and beyond

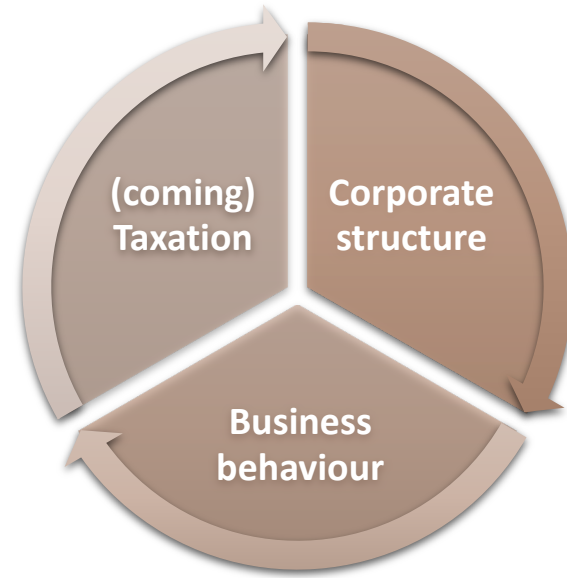
EU – a global (economic) player

On offer: access to...



The price: adherence to rules on

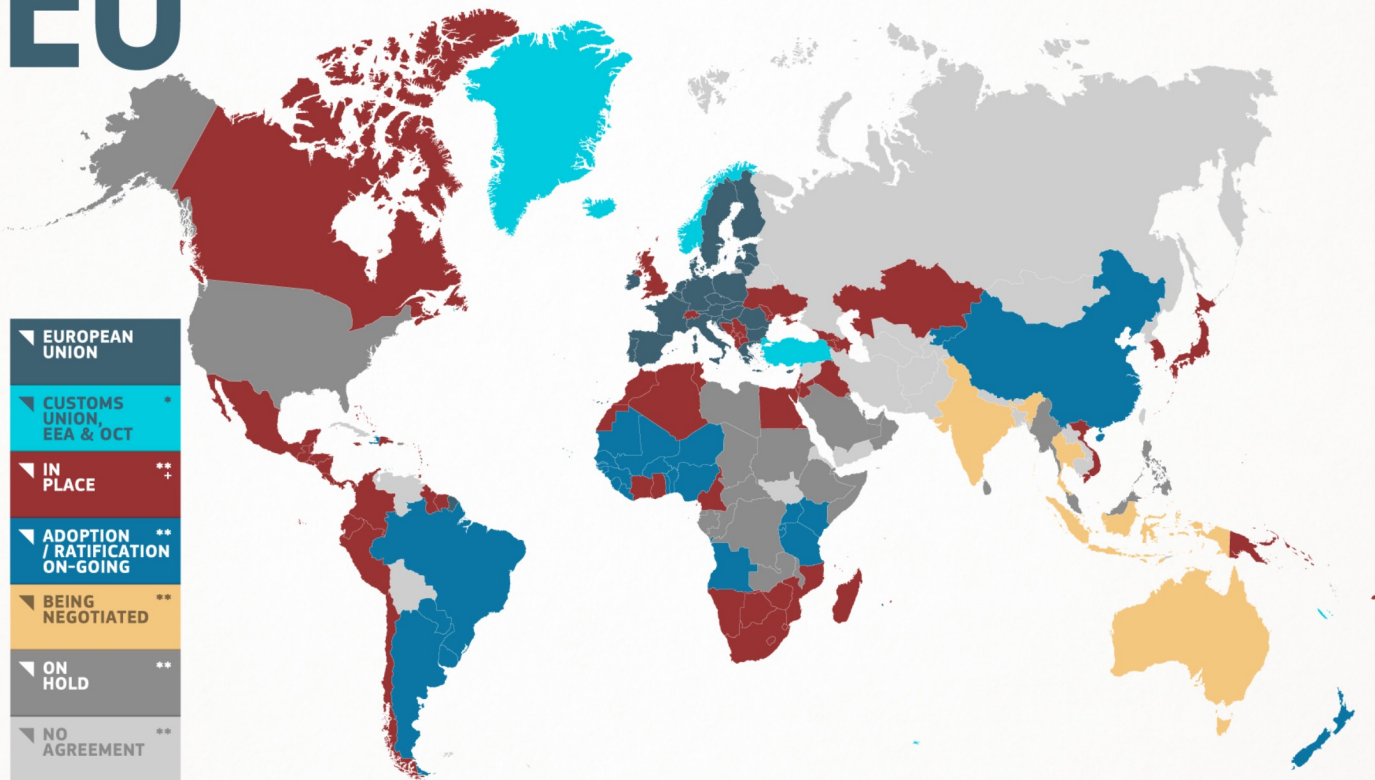
...



... supporting political goals.

EU trade agreements 2023

Updated 18/09/2023



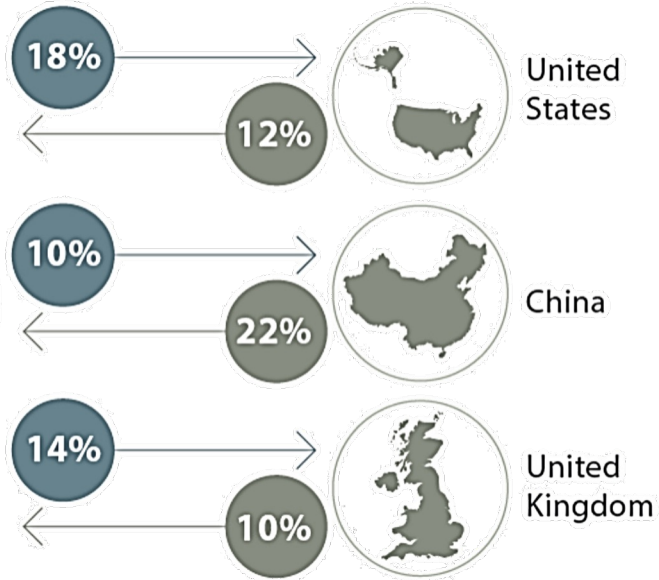
* European Economic Area (EEA) / Overseas Countries and Territories (OCT).

** Free Trade Agreement (FTA), Deep and Comprehensive Free Trade Agreement (DCFTA), Investment Agreement, Enhanced Partnership and Cooperation Agreement (EPCA), Partnership and Co-operation Agreement with preferential element (PCA).

+ The updated agreements with Tunisia, and Eastern and Southern Africa are currently being updated; the updated agreements with Mexico and Chile are under ratification. The DCFTA with Georgia does not apply in South Ossetia and Abkhazia.

#EUtrade





Partners in trade

EU's top 3 export / import destinations

EU and extraterritoriality

Showcase ESG and the “EU Carbon Border Tax”



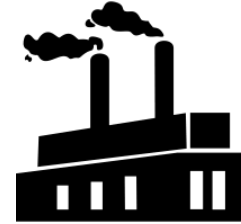
NEXT
GEN
EU

Carbon border adjustment mechanism (CBAM) own resource



CBAM – many birds for a stone

Reporting starts 2024 / enforcement 2026



Intentions

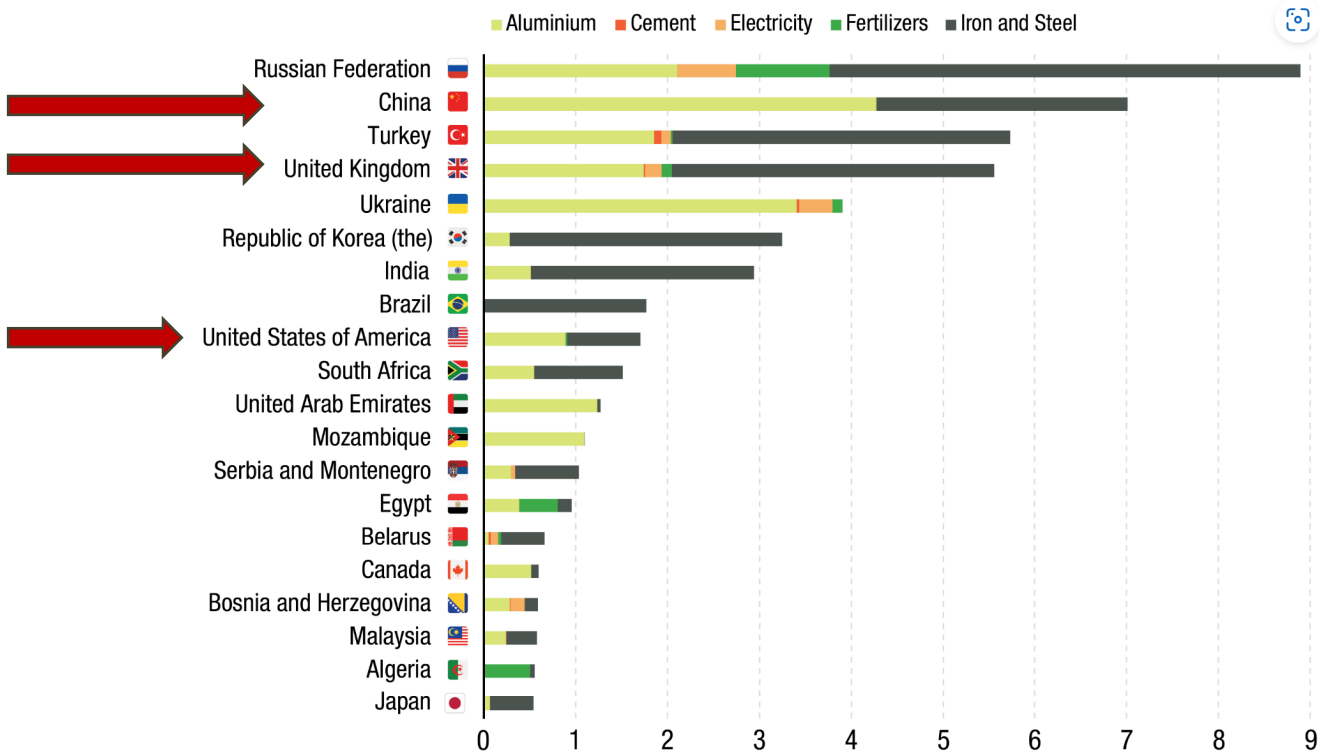
- **Enforcing EU carbon reduction goals efficiently on internal market**
- **Prevent “dirty” steel production** leaving EU to countries without/cheaper carbon price/taxes
- Incentivizing non-EU steel producers to change
- Incentivize **more efficient carbon prizing**
- Creating a new own resource for EU budget

Potential side effects

- EU to encounter gradual but **lasting price increase** in steel and steel-made goods
- EU **carbon certificates might increase** massively in price on a broader scale
- EU faces (even carbon-unrelated) **counter (trade) measures** of markets without/ lower carbon tax, including US

CBAM – who is hit?

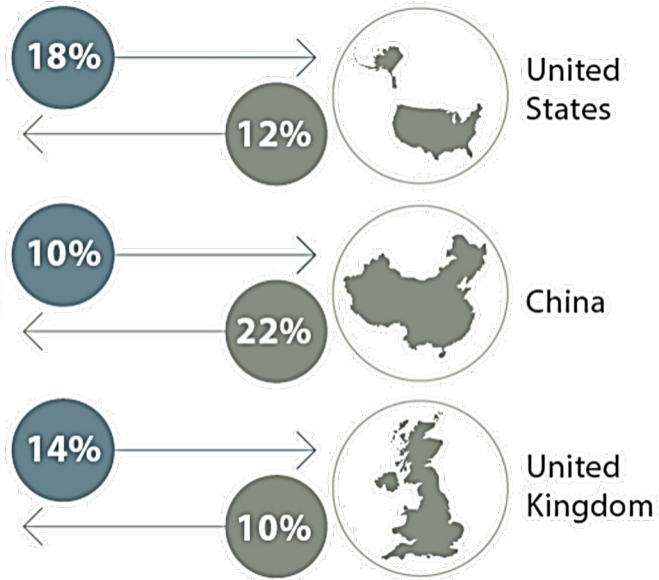
20 most-exposed countries in terms of aggregated value of exports (billion \$)



EU ESG rules – a push for extraterritoriality
Showcase “EU Carbon Border Tax”

Source: UNCTAD based on UN COMTRADE.

Note: The list does not include Iceland, Norway and Switzerland because they participate in, or are linked to, the ETS. Therefore, it is likely that these countries are exempt from the mechanism.

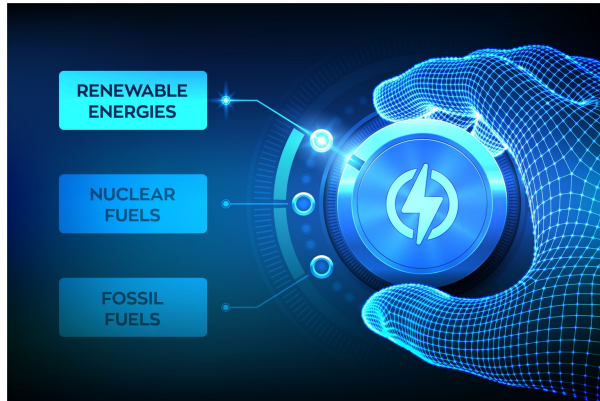


Reminder – Our partners in trade

EU's top 3 export / import destinations

EU ESG rules - why we are where we are...

Honouring (and requesting) transitory efforts



Combating greenwashing



ESG rules - 1



- The **EU Taxonomy** defines economic activities that can be considered environmentally sustainable.
- The **CSRD** (replacing the NFRD) requires companies to report on their sustainability performance against the EU Taxonomy.
- The **SFDR** requires financial market participants to disclose how their products align with the EU Taxonomy, using CSRD-based information.
- The **ESRS** (European Sustainability Reporting Standards) detail the requirements for reporting under the CSRD.

Enforced since 2021

Enforced (CSRD)
since January 2024

Enforced and under
review

Published Dec 2023,
applicable as of Jan
2024

ESG rules - 2



- The “7a-7c” **MIFID** (Delegated Act) requires the disclosure of minimum investment proportions for target market definition purposes. (**“quantify to combat greenwashing”**)
- The **ESG Rating Agencies Regulation** will define disclosure standards and minimum organisational requirements for ESG RAs.
- The **EU Green Bond Standard** defines the (investment) conditions for proceeds generated from the issuance of debt instruments for them to be classified as “Green Bond”.

Enforced since 2023

EU COM proposal
June 2023

Published Nov 23
applicable as of Dec
2024

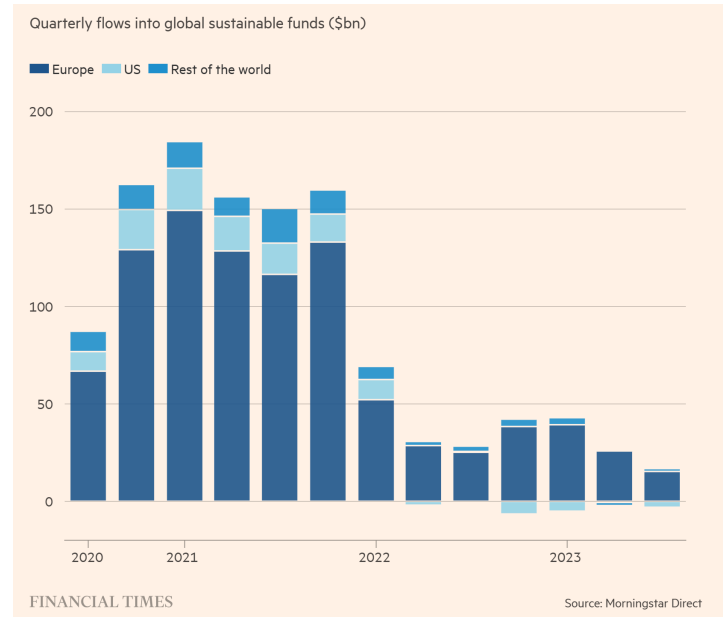
While life goes on ...

ESG funds in the US

Performance 2020- Q3 2023



Inflows 2020- Q3 2023





EU financial markets regulation

Leaving a trace - FS Commissioners and some of their landmark projects



Finalisation of the
Financial Services
Action Plan –
MIFID 1 enforcement

MIFID 2 finalisation
(2014)
PRIIPs launch (2014)

Review of EU
legislation on
inefficiencies and
redundancies
(abandoned)

**Banking Union
completion**
(failed)

MIFID 2
« improvement »
(Quick Fix)
Retail Investment
« Strategy »

Charlie McCreevy
(Internal market)
2004-2010

Michel Barnier
(Internal Market)
2010-2014

Jonathan Hill
2014-2016

**Valdis
Dombrovskis**
2016-2019

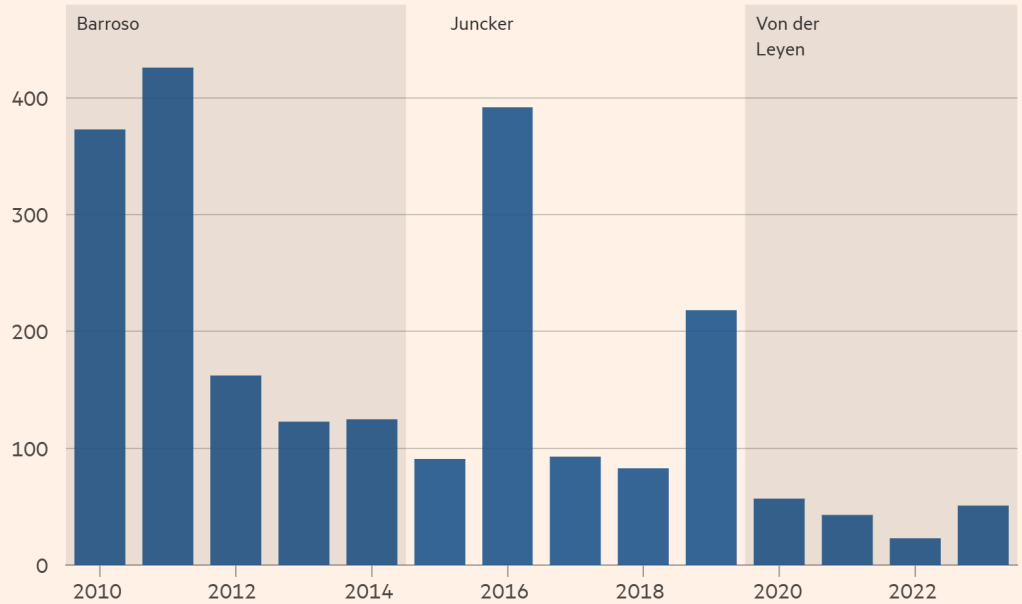
Mairead McGuinness
2019-2024

EU internal market infringement procedures

Carte blanche?

European Commission internal market actions have decreased under von der Leyen's watch

Total infringement actions taken by the commission in relation to the internal market excluding case closures

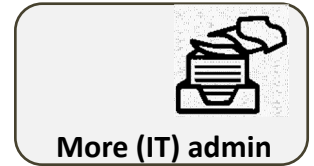
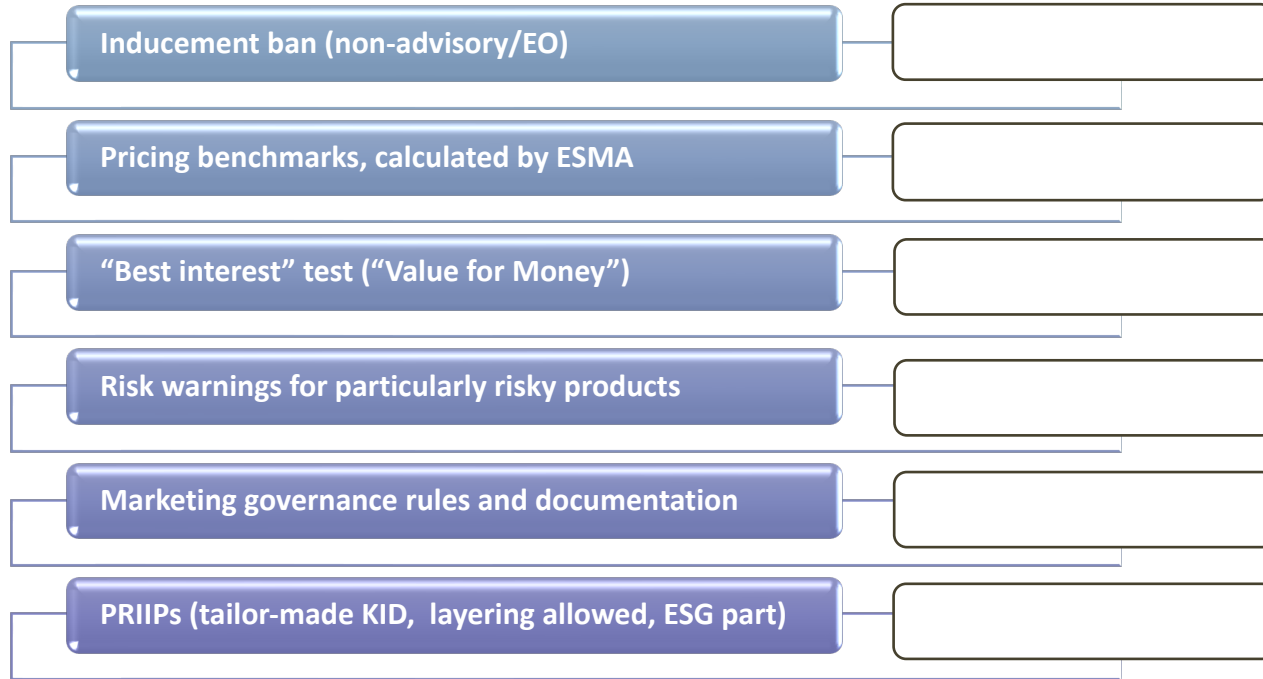


Source: European Commission • European Commission presidents: José Manuel Barroso Nov 2004 to Oct 2014; Jean-Claude Juncker Nov 2014 to Nov 2019; Ursula von der Leyen Dec 2019 to

FINANCIAL TIMES

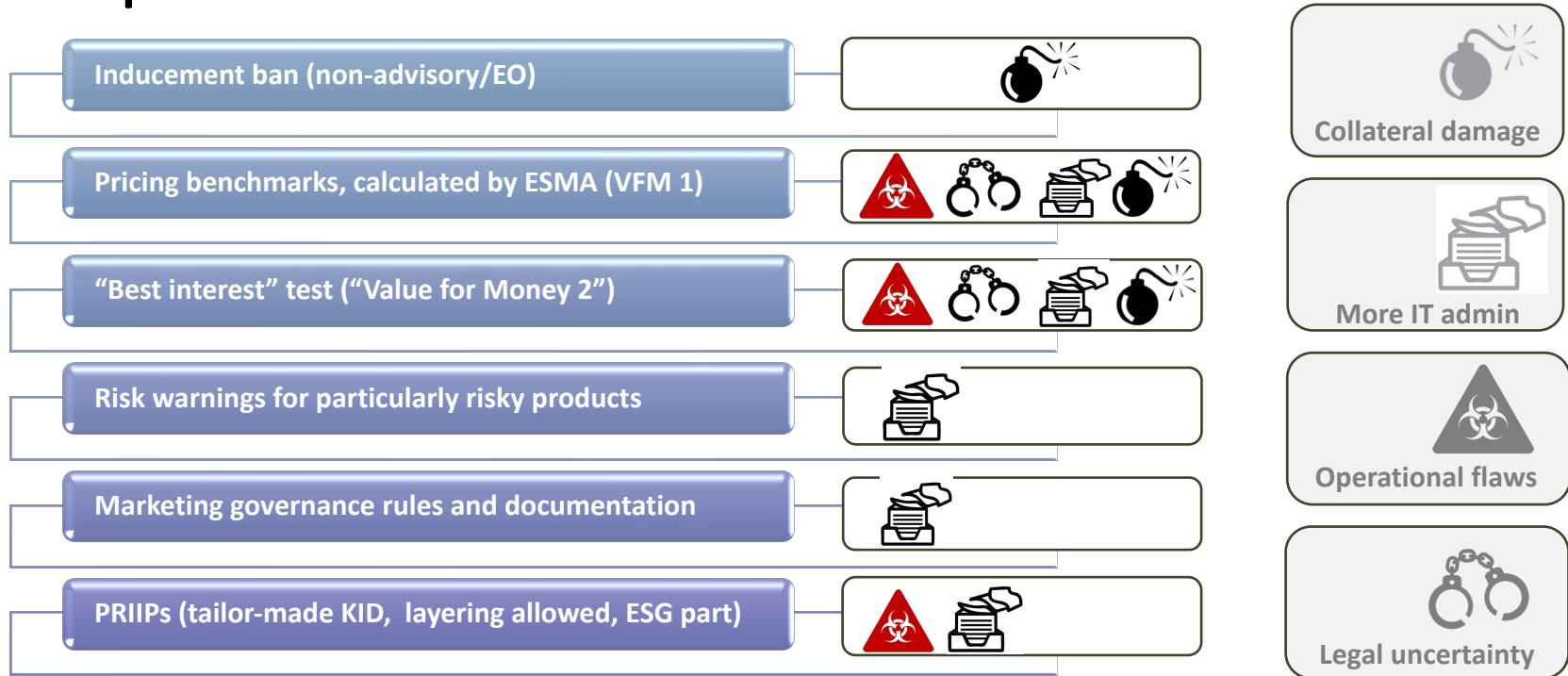
Strategies ... or things called such.

Components of EU Retail Investment “Strategy” and their impacts



Strategies ... or things called such.

Components of EU Retail Investment “Strategy” and impacts



EU Retail Investment “Strategy” (RIS)

The fundamental flaws

No evidence for MIFID 2 shortcomings
(making the EU look like the US seems off-mark)

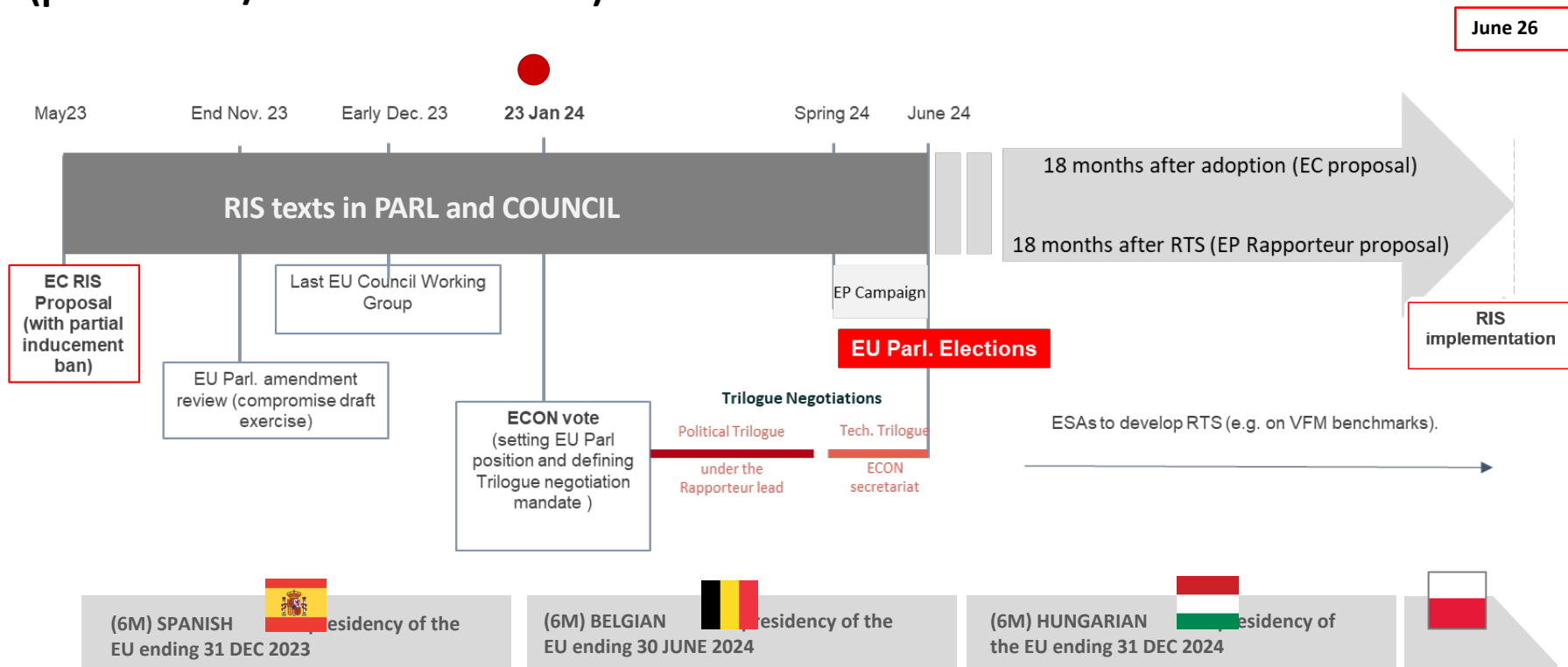
Flawed and insufficient quantitative analysis of markets
“Kantar study disaster”

One-sided focus on cost disclosure and reduction / no consideration of product yield

No consideration of taxation impact on retail investment behaviour

Insufficient analysis of collateral damage
(eg, on “inducements” and PFOFs)

EU Retail Investment “Strategy” (RIS) – timeline (provisional / estimate Dec 2023)



**Thanks for
listening.**

**Your
comments &
questions.**

