

2024 EU Parliament elections: key outcomes, policy changes and implications for GCC relations

4 July 2024

By Alice Gower, Senior Consultant, SRMG Think; and Lea Eid, Senior Research Analyst, SRMG Think

Key Takeaways

- Far-right gains in the EU parliamentary elections will not give the right wing any significant influence over the legislative process in Parliament as the parties do not work as a cohesive bloc; however, there is a clear shift to the right in the domestic politics of EU member states, and this is likely to have a bearing on the direction of EU policy in future.
- These trends will have mixed implications for GCC-EU relations. Efforts to pursue an FTA between the two blocs may be replaced, and more swiftly with, discussions between the EU and individual GCC states to explore alternative ways to boost trade ties – already on the agenda of some countries.
- Energy transition will remain an imperative, but the emphasis will shift to ensuring economic competitiveness and energy security. There will be back peddling on some decarbonisation measures. This is a pro and a con for GCC countries.

The elections – at a glimpse

With multiple global crises testing the national leaderships of the European Union (EU) member states, last month voters took to the polls in higher numbers than has been seen for thirty years to vote on the bloc's future direction. The 720-seat-strong European Parliament is the EU's only directly elected body and influences its approach to a wide range of issues, including aid, defence, industrial policy, and the environment.

The much touted "surge" to the right in the Parliament did not materialise, although right-wing parties have increased their representation. More notable is the broader shift to the right in the domestic politics of EU countries, evidenced by right-wing gains in key economies such as France and Germany. With voters increasingly driven by issues such as immigration, cost of living, healthcare and housing, the influence of right-wing positions on domestic politics – and therefore on the composition of key EU institutions – will gradually impact European policies.

For Gulf Cooperation Council (GCC) countries, the EU will remain a key partner in both trade and international relations, but the parameters of the two blocs' relationship will shift as internal EU politicking changes the shape of free trade agreement (FTA) negotiations and implementation of the Green Deal.

Key outcomes

Representing some 450 million citizens from its 27 member states, the EU parliamentary elections have historically been dogged by low turnout as voters struggled to see the relevance of the institution. However, this year provisional voter turnout reached 51% – a small increase on the last election in 2019 and the highest turnout since 1994.¹ This shows that voters increasingly view the EU as an important force in addressing both geopolitical and security concerns and social issues, such as poverty and public health.

Centrist parties held their ground in these elections.² The centrist-right European People's Party (EPP) has retained its place as the largest group in the Parliament with 189 seats. The centre-left Progressive Alliance of Socialists and Democrats (S&D) has won 136 seats, and the liberal Renew group 74. Representatives of the far-right European Conservatives and Reformists (ECR) and Identity and Democracy (ID) parties will control 141 seats in total, and 35 additional seats will be held by the far-right groups Alternative for Germany (15), Hungary's Fidesz – the party of Prime Minister Viktor Orban (11), Poland's Confederation (6), and Bulgaria's pro-Kremlin Revival (3).

While this constitutes a sizeable boost in right-wing MEPs, right-leaning parties do not always align on policy issues; as such, they will not have a great deal of influence over the legislative process. However, there is a risk that the centrist parties – including the EPP, which must form working coalitions to reach the 361 seats required to hold a majority on legislative issues – will ally with right-wing groups on key policy issues in order to push through their agendas and maintain support among their electorate on specific matters.

Europe's shift to the right – what it means

There is a clear shift to the right in EU countries' domestic politics as voters prioritise anti-establishment, populist, and Eurosceptic policies. Right-wing governments are already at the helm in Hungary, Finland, Slovakia, Croatia and Czechia, and far-right-wing parties hold influential positions in Sweden and the Netherlands. A shift to the right in the EU Parliament could foreshadow a similar shift in other member states' upcoming national elections – and this could have a bearing on the direction of EU policy in future.

¹ "Turnout, 2024 European Election Results, European Parliament". <https://results.elections.europa.eu/en/turnout/>.

² Information based on available provisional or final national results as of 25 June 2024.

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If, and when, European populations vote right-wing parties into government or ruling coalitions, their leaders and representatives will take their places in the European Council and the Council of the EU. Greater representation of right-wing views in either of these fora will ultimately move the needle on EU policies.

The same is true in reverse – the EU parliamentary elections have served as a barometer for public opinion in national contexts. Already, the results have prompted French President Emmanuel Macron to call a snap election that could see the far-right taking the premiership and forming a government in France. German Chancellor Olaf Scholz is resisting calls for an early national vote – just two and half years into his tenure – as his Social Democratic Party suffered a poorer result than the right-wing Alternative for Germany. And as European centrist parties increasingly accommodate right-wing views in a bid to court voters and retain majorities, the influence of the right is likely to spread across other EU countries, and therefore within the EU and its institutions as well.

What this means for EU-GCC relations

The relationship between the GCC and the EU has grown in importance for both sides since 2020, with the two forging closer ties in order to address the impact of the global pandemic, the Russia-Ukraine war, and the pressing need for an energy – and digital – transformation.

The EU is a significant partner of the GCC in terms of both trade and investment, and politics. It is the GCC's second biggest trading partner behind China. Total trade between the two was worth EUR 170 billion in 2023, up from EUR 113.5 billion in 2021.[1] The blocs upgraded their 1988 Cooperation Agreement to a Strategic Partnership in 2022, with the European Commission appointing for the first time an EU Special Representative for the Gulf (Luigi de Maio) in June of 2023. Negotiations for an FTA began in 1990 but were stalled in 2008 due to differences in ambition.

Prospects for GCC-EU FTA – shifting to bilateral discussions

Prospects of an FTA between the EU and the GCC are dim. Several barriers to talks have resulted in another pause in negotiations; these include the social, human rights, and environmental conditions that the EU attaches to trade agreements, and labour standards, regional security concerns, and petrochemical industry interests, among others. [1]

GCC petrochemical industries have comparative advantages that the EU lacks and there are fears that increased petrochemical production from the Gulf region would flood the EU market. The Association of Petrochemical Producers in Europe argues that an FTA would make Europe the preferred destination for GCC production, causing a restructure of the industry, job losses and shutdowns of integrated operations. It also points to a lack of reciprocity under the European Commission mandate – with no reference to investment, joint ventures and access to feedstocks in GCC countries, there would be more disadvantage than advantage for the EU's own industry under an FTA.[2]

The EU and some GCC countries are already looking at alternative options for economic cooperation, notably the UAE and Saudi Arabia. There are reports that Abu Dhabi is considering a bilateral FTA with the EU. Meanwhile, the Kingdom has taken steps to strengthen trade ties with the bloc, such as the opening of the first European Chamber of Commerce in the Gulf in Saudi Arabia. EU countries may also advocate for state-to-state FTAs to replace EU-wide agreements as right-wing preferences for protectionist and nationalist trade policies become more influential.

³ "Turnout, 2024 European Election Results, European Parliament". <https://results.elections.europa.eu/en/turnout/>. "EU Trade Relations with Gulf Region." Policy.trade.ec.europa.eu. May 8, 2024. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region_en#:~:text=The%20EU%20is%20the%20nd.

⁴ <https://www.chathamhouse.org/sites/default/files/public/Research/International%20Economics/bp0408ftagcc.pdf>

⁵ "EC-GCC PACT SEEN as THREAT to EUROPE'S PETROCHEMICALS." 1990. Oil & Gas Journal. April 2, 1990. <https://www.ogj.com/refining-processing/gas-processing/lpg-markets/article/17214651/ec-gcc-pact-seen-as-threat-to-europe39s-petrochemicals>.

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Green Deal

Another policy area expected to experience change is the Green Deal. EPP leader Manfred Weber is already set to row back on a 2035 ban on the sale of combustion engine cars – a flagship measure of the Green Deal – calling it a mistake.⁶ The Deal is a set of policy initiatives approved in 2020 aimed at stimulating the green transition in the EU and ultimately achieving "climate neutrality" by 2050. While the Deal is unlikely to be threatened by the advances of the far-right, the EPP's potential coalition partners on other environmental issues (Renew Europe, the Greens, and the Socialists) have lost many seats. This means there may be little development, or even back peddling, on specific decarbonisation measures.

Meeting Europe's climate targets does not come cheap – the European Investment Bank estimates the bill will come in at approximately EUR 1 trillion per year. The energy transition will remain an imperative – but the primary motivation behind it will change from environmental concern to ensuring economic competitiveness, reducing vulnerability from supply chain dependence and assuring energy security and independence.

For GCC countries, this is a pro and a con.

Pro: If the EU extends its reliance on fossil fuels in the transport sector, the Gulf will gain the EU market for its hydrocarbons for longer. Following the introduction of the REPowerEU plan, crude exports from the Middle East to the EU increased by some 400,000 barrels per day (bpd) (2023 vs 2021) to partly replace sanctioned Russian barrels. Most of this increase came from Iraq (non-GCC), Saudi Arabia and the UAE.⁷ GCC exports of products such as diesel, fuel oils, gasoline, gasoil and naphtha, among others, have also surged, reaching a record high of 1 million bpd in April 2024.⁸ As GCC countries face greater competition in Asian markets from discounted Russian and Iranian barrels, this is an opportunity to build upon their expanding footprint in the European market.

Con: On the other hand, while a stronger partnership with the Gulf was billed as helpful in the implementation of the REPowerEU plan, particularly in the supply of liquefied natural gas (LNG), in stabilising oil markets, and on cooperating on hydrogen, the de-prioritisation of the climate issue in EU voters' minds – and the agendas of their MEPs – means that some of the additional steps needed to accelerate the EU's transition may be slowed by internal EU politicking. The emphasis is likely to move to ensuring Europe is competitive – and remains an industrial powerhouse – as opposed to becoming a clean and green centre and achieving net zero targets on time.

As a result, cooperation with the GCC on new energy technologies and sources, such as hydrogen, will continue – but the EU's focus will be on investing in local industries to scale up the manufacture of green technologies to hedge against cheap imports from China and the US. The EU will continue to face pressure from chemical industry leaders and trade unions to ensure that current plans to broaden the Carbon Border Adjustment Mechanism (CBAM) to include organic chemicals and polymers by 2030 does not place strain on European plants from cheaper, low-carbon imports from the GCC; European plants face higher decarbonisation costs than the GCC countries.⁹

The GCC has an opportunity to invest in, and fund, climate friendly projects in Europe, but it will have to play a supporting role to European companies looking to ensure they get in on global "clean" trends, such as e-mobility, and a regulatory environment seeking to enable them.

Appendix: The EU – key institutions and their role in policymaking

The shift to the right will influence the composition and approach of four key EU institutions – the European Council; the Council of the EU ("the Council"); the European Commission; and the European Parliament.

European Council:

- Comprises all EU leaders (heads of state or government). Sets EU's general political direction and priorities, nominates candidates for the bloc's top jobs, inc. the European Commission president, EU foreign policy chief, and European Council president.
- President of European Commission – European Council makes nomination following negotiations between country leaders. Nomination takes into account geographic and gender diversity and is subject to approval by European Parliament.
- EU foreign policy chief – appointed with consent of the European Commission President. Is likely to be chosen from among European liberals. Estonian Prime Minister Kaja Kallas is current frontrunner despite concerns she may overly focus on Russia and neglect other regions, notably the Middle East and North Africa.

⁶ Karl Mathiesen, Zia Weise, and Louise Guillot "A Triumphant Right's First Post-Election Target: Overturning Green Deal Car Ban." POLITICO. 10 June 2024. <https://www.politico.eu/article/european-election-green-deal-rollback-europes-far-right-greenhouse-gas-pollution-global-warming/>.

⁷ "Evolution of the Middle East Oil Scene: Transformations in Refining and Oil Flows Oil Research Programme Oxford Institute for Energy Studies." Oxford Institute for Energy Studies. 2024. <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/06/OIES-Presentation-Evolution-of-the-Middle-East-oil-scene-June24.pdf>.

⁸ "Evolution of the Middle East Oil Scene: Transformations in Refining and Oil Flows Oil Research Programme Oxford Institute for Energy Studies."

⁹ Richardson, John. 2024. "How Europe Can Avoid 'Sleepwalking' towards Offshoring of Petrochemicals." Asian Chemical Connections. 27 February 2024. <https://www.icis.com/asian-chemical-connections/2024/02/how-europe-can-avoid-sleepwalking-towards-offshoring-of-petrochemicals/>.

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Council of EU:

- Ensemble of government ministers of all member states, grouped by policy area. Negotiates legislation with the EU Parliament.

European Commission:

- EU's main executive body, headed by a president and comprising representatives of all 27 member states.
- Is the sole EU institution with the ability to propose – and enforce – legislation. It also oversees the EU's budget and represents the bloc internationally, including in negotiating agreements with global partners. This includes the EU-GCC FTA.
- Commission presidency goes to a member of the party with the most seats in Parliament – in this case, the PPE. Incumbent Ursula von der Leyen is likely to retain her position, bringing some continuity to the EU's policy direction.¹⁰

European Parliament:

- Least powerful of the four main EU institutions. Elected representatives sit in political groups determined by political affiliation, forming coalitions on specific issues when voting on legislation.
- The Parliament has the power to pass, sometimes amend, and reject laws, but it cannot initiate them, and legislation is only enshrined once it has been approved by both the Parliament and the Council of the EU. It also has the power to pass or reject agreements with global partners. The European Parliament only selects its own president and does not have influence in choosing candidates for other EU top jobs; it is only able to approve or reject the whole package by a majority vote.

¹⁰ "European Parliament Elections Tracker: Polls, Results and Guide to the Vote." The Economist. Accessed 25 June 2024.
<https://www.economist.com/interactive/eu-elections-2024-polls-parliament>.