Meeting with EFCG (CEFIC) on the shortage of medicines, 12 December 2019

Participants:
SANTE: Martin Seychell, [redacted], [redacted], [redacted]
GROW: Carlo Pettinelli, [redacted], [redacted], [redacted],
CEFIC (European Fine Chemicals Group, EFCG): [redacted], [redacted] EFCG, with experts from a number of firms producing APIs in Europe: Sequens ([redacted]) FIS ([redacted]), Merck ([redacted]), Hovione [redacted]), Flamm ([redacted]), and Siegfried ([redacted]).

The Commission (DG SANTE and DG GROW) invited Cefic, represented by EFCG, to a meeting to discuss the issue of the dependency of the European pharmaceutical industry on the APIs produced in third countries and potential solutions at EU level. Martin Seychell opened the meeting, shortly explaining how the dependency on the APIs contributes to the occurrence of the shortage of medicines in the EU. He stressed the concerns the issue raises from the perspective of human health and wellbeing, as well as for security/sovereignty. Carlo Pettinelli welcomed the visitors and added that not only the production is important, but also the European value chains.

EFCG made a presentation, explaining how the pharmaceutical value chain works and highlighted the problem of shortages, not only for APIs, but also for the registered starting materials (RSM – the substances issued from the manufacturers reported in the application dossier for a marketing authorisations). There may be four or five producers of APIs depending on one supplier of RSM, which makes the value chain vulnerable in case of interrupted supply of RSM. EFCG informed that the majority of the raw materials used for generic drugs are produced in Asia using old-generation processes with high environmental impacts. Europe is recognised by the US FDA for having high standards as well as the highest quality worldwide in the manufacturing of the API. One third of US APIs are sourced in Europe. The US is reported to have the same problem with shortages of medicines and a recent report has been published on the issue, see https://www.fda.gov/drugs/drug-shortages/report-drug-shortages-root-causes-and-potential-solutions.

As regards legislation, identified barriers relate to requirements of pharmaceutical legislation to re-approve any change in the application dossier via variation procedure in case of any modification of the supplier of registered material. The additional difficulty result from the fact that the production is often globalised and one manufacturer supplies several regions, where regulatory approvals are required. For RSM, REACH is the main regulation the producers need to comply with. EFCG explained that there are sometimes conflicting objectives of EU legislations, e.g. Annex XIV listed substances under REACH should be substituted, while the pharmaceutical legislation promotes the maintenance of the substance and supplier once approved.

Root causes of medicines' shortage due to API shortcomings in the EU according to EFCG:

- Massive offshoring of API production and RSM to Asia;
- Massive closing of API/raw materials manufacturing plants in China due to serious accidents (almost 4000 accidents involving hazardous chemicals in China between 2006 and 2017), as well as increased enforcement in China on safety and environment. The effects are unpredictable, and with domino effects along the supply chain.
- 'Chinese Green Revolution', i.e. closure of industrial parks that are affecting both manufacturers that are compliant as well as non-compliant;
- No easy replacement due to regulatory requirements (lengthy procedures for approval of variations)

Ideas to be investigated proposed by EFCG:

1. Set up a fast track approval for alternate RSM under the pharmaceutical regulation;
2. Encourage the maintenance of the EMA database of drug shortage and promote communication between Member States;
3. Implement a five to ten-year plan to:
   a) Ensure EU production of critical raw materials;

b) Invest in sustainable technologies produced in the EU;
c) Promote competitiveness of EU manufacturing companies as it is not possible to compete with manufacturers that are not subject to the same quality requirements or environmental standards as it implies a cost advantage;
d) Encourage global players to apply the EU quality and sustainability standards.

The Commission inquired if producers of finished medicinal products would be willing to buy EU manufactured APIs at higher prices. EFCG could not respond with certainty but expressed their frustration with the subsidies of the Chinese government and the lower environmental and safety standards in Asia. SANTE explained previous efforts made to ensure higher quality of imported APIs through a requirement of written confirmations, nevertheless, offshoring to Asia continues.

On the solutions presented, the Commission suggested that, as far as there is a necessity for funding to promote the raw material production in Europe that a source of financing could come from the Green Deal package, as well as financing via the SME strategy. To encourage EU quality and sustainability standards, similar instruments as proposed in the Green Deal on border tax on carbon emissions could be interesting to create a level playing field. On competitiveness, the future chemical strategy addresses the issue of not exporting pollution and risks to third countries. As regards dumping, this is trade policy and colleagues from DG TRADE should be involved. The Commission concluded by explaining the success story of the Circular Plastic Alliance and that a similar alliance could be part of the solution for the pharmaceutical industry value chain. EFCG seemed optimistic about this idea.

Comparison of discussion meeting with Medicines for Europe and EFPIA:

Similar points:

- The regulatory requirements for granting variations to marketing authorisations is lengthy and heavy as well as resource intensive for the manufacturer.
- EU should establish measures to foster investment in essential API. Including incentives for manufacturing under state-aid rules, balanced procurement criteria for security of supply, and to ensure that future EU Regulation is favouring a level playing field.
- List critical products where incentives should be focused on (bottlenecks/risks).

New or diverging views from Medicines Europe and EFPIA:

- Lighten the regulatory burden in the EU – without reducing quality;
- Incentivise API production in Europe with measures such as R&D investment tax deductions;
- Regulatory recognition of companies that choose to invest for EU security of supply, e.g. companies using those suppliers could pay lower regulatory fees or benefit under procurement. In addition, priority review of variations or fee waiver for APIs manufactured in the EU.
- Better recognition of EU manufacturer under the United States law for Generic Drug User Fee Amendments (GDUFA).
- Public procurement in the EU (under responsibility of DG GROW) is an issue where the lowest price is often the main driver, while other elements should be considered.
- Medicines for Europe and EFPIA do not see a problem with registered starting material, and that this may be a contributing factor for medicine shortages.

Out of scope

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