

Energy crisis accelerating exodus of companies from Europe



**European Union flags flutter outside the EU Commission headquarters in Brussels, Belgium.
(File photo by Reuters)**

Brussels, October 28 (RHC)-- With the war in Ukraine having generated a significant volatility in energy markets, generic drugmaker Teva has warned surging energy costs in Europe risk accelerating an exodus of companies having a critical role in manufacturing essential medicines.

Teva wrote in a report on Thursday that now the war in Ukraine and the associated energy and economic crises threaten to "debase the continent's pharmaceutical sector for good for some critical medicines." The report highlighted recent shortages of tamoxifen, an active ingredient used in a key breast cancer therapy, in Germany.

The only active pharmaceutical ingredients (APIs) manufacturer of tamoxifen in Europe halted production because it had become uneconomical. This left European finished drug producers without any European supply source, and only a few suppliers in Asia.

Paracetamol is another case in point, Teva officials added. The last European drug factory to produce paracetamol closed in 2008. There was significant supply friction for paracetamol in Europe at the height of the COVID-19 pandemic, because the region did not have "the leverage nor logistical capacity to scale up production in the short term," the report said.

The energy crisis have now further endangered drug supply chains already hit by shortages at the height of COVID-19 and left Asia as the primary source of production. The problem has been exacerbated as the major paracetamol producing country India temporarily banned exports of the ingredient to meet the needs of its internal market.

Erick Tyssier, Teva's head of government affairs in Europe, said Teva is currently absorbing higher drug production costs in Europe, but there is a limit to that. In relation to its European portfolio of medicines, Teva currently sources 40% of its APIs from its own sites across the continent, while the rest is outsourced, said Philippe Drechsle, VP of EU portfolio management at Teva Europe.

Also last month, Europe's drugmakers warned they may stop making some cheap generic medicines because of surging electricity costs and are calling for an overhaul of the way they are priced. The pressure on pricing for these key generic medicines has long pushed manufacturing of the most energy-intensive components eastwards to India and China, where costs are dramatically lower.

Essential medicines are crucial in treating long-term conditions as well as surgical procedures. They are also typically off-patent, and sold at the lowest possible prices. Triggered by the war in Ukraine, an unprecedented energy crisis in decades is unfolding across Europe as winter nears.

Shortly after the onset of the Ukraine war, the United States and its European allies unleashed waves of unprecedented sanctions against Moscow, which repeatedly warned such punitive measures will certainly backfire. Russia has virtually cut its flow of natural gas to Europe, citing technical difficulties caused by the sanctions.

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