



BDI

The Voice of
German Industry



G7 GERMANY 2015

Industrial Innovation for a Sustainable World

Recommendations from the B7 to the G7

Member Associations of the B7



Summary: Key Recommendations of the B7

We, the B7, as the heads of the leading business and industry associations from the G7 countries, laud the efforts of the G7 to address the pressing global challenges our economies face.

Promoting Investment and Economic Growth

While the global economy has stabilized following the recent financial and economic crisis, this is no reason for complacency. The B7 therefore encourage the G7 to undertake necessary structural reforms, follow sound fiscal policies, and pursue realistic strategies for investment and growth.

Recommendations

- We urge our governments to address barriers to, and bottlenecks in, higher public investment and private investment. As potential output growth in both advanced and emerging markets had to be substantially revised downwards, a strong emphasis on strengthening growth potential globally is warranted.
- Macroeconomic policies will have to be tailored to the weaker fundamental setting in the medium-term. Restarting the global investment engine at a more normal speed may well require a prolonged phase of macroeconomic accommodation while acknowledging the new fundamentals.
- Investment frameworks for research, development and innovation in general should be reviewed in comprehensive manner. In many nations, policies addressing the innovation environment for firms will have to be strengthened substantially to promote stronger long-term productivity and economic growth.

Advancing Global Trade

Free and rules based trade plays an important role in fostering economic growth and jobs worldwide. Increasingly complex and widespread global value chains underline the importance of reducing tariff barriers, as well as streamlining administrative and customs procedures. The B7 regret that protectionist trends are still on the rise.

Recommendations

- The B7 urge the G7 to work towards a successful conclusion of the Doha Round of the World Trade Organization (WTO). The Ministerial Conference later this year will be pivotal for setting the agenda for a meaningful Doha accord.
- The B7 would furthermore like to see the Trade Facilitation Agreement of the WTO implemented as soon as possible and call upon the G7 countries to set an example by ratifying the agreement. Simplifying trade documents and harmonizing them in accordance with international standards, automation, and the increasing availability information promises large welfare gains for all WTO members.
- Free trade agreements (FTAs) can be a stepping stone towards multilateral trade liberalization and a venue to advance global rules for trade and investment. The B7 urge the G7 to work towards FTAs which are compatible with the WTO and advance global value chains.

Fostering Sustainable Global Supply Chains

Economies are becoming increasingly interconnected and interdependent. Taking part in global supply chains offers great opportunities for both countries and companies: better living standards, higher productivity, the deployment of new technologies, increased employment opportunities, and more diversified and resilient economies. Sustainable global supply chains are not an add-on, but a core interest of companies. Investing in sustainability can pay off by reducing risks and improving stable investment conditions. The B7 agree with the necessity of improving the safety of workplaces as well as environmental standards in producing countries.

Recommendations

- G7 initiative on decent working conditions in supply chains should follow the three-pillar “Protect – Respect – Remedy” approach of the UN Guiding Principles on Business and Human Rights. It is primarily the responsibility of the State to protect people in its territory against human rights infringements and it is the duty of companies to respect human rights.
- The G7 should endeavor to attract additional non-OECD countries for the OECD Guidelines for Multinational Enterprises. In a globalized world, the OECD Guidelines play a key role in shaping fair competition.
- The B7 are, in principle, open to discussion the idea of the German government to create a voluntary “Vision Zero Fund,” if the set-up of the Fund fulfils certain criteria. Such a Fund can be helpful in preventing work related accidents especially in less developed countries, but it needs to be carefully designed to ensure that it really fosters Occupational Safety and Health (OSH) standards worldwide.

Fostering Resource Efficiency

Taking advantage of natural resources has enabled humans to achieve an unprecedented level of prosperity and standard of living. Yet, a more efficient and deliberate use of fossil and mineral resources is paramount. While prices for many resources have fallen since 2010, this is no reason for complacency.

Recommendations

- G7 governments should support business in its effort to develop innovative products and processes as well as in applying these technologies through targeted and voluntary National Resource Partnership Programs between government and business.
- The B7 call on the G7 to step up assistance to Small and Medium-Sized Enterprises (SMEs) concerning the efficient use of materials in industrial production. The “Action for Resource Efficiency in Medium-Sized Companies”, proposed by the German Federal Government on the occasion of the G7 Presidency in 2015, is a step in the right direction.
- The subsidizing of raw material imports, prohibitive export tariffs, and strict export quotas are an increasingly widespread phenomenon. The B7 call for strong actions by the G7 in order to counter trade distorting resource policies.

Strengthening Energy Efficiency and Climate Change Policies

Delivering secure, affordable, and clean energy while using resources responsibly and efficiently is an integral part of sustainable economic growth worldwide. Predictable and transparent policy conditions and a level playing field in global markets are indispensable for effective climate policies. This would also encourage companies to invest further in research and development of new technologies.

Recommendations

- The B7 urge the G7 to constructively work towards such an agreement at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris later this year, the COP21. The B7 support an agreement, containing comparable, verifiable, and ambitious contributions from all Parties. This agreement should ultimately put the world on track for substantial reduction of global emissions.
- We urge the G7 to remove regulatory barriers that limit the diffusion of energy efficient technologies and promote these technologies by making use of available financing mechanisms.
- The B7 welcome the creation of energy efficiency networks, which allow companies to share ideas on how to improve the energy efficiency of their production processes and discuss ways to implement efficiency measures.

Supporting Innovation in Health Care

A healthy population is essential to delivering sustainable and inclusive economic growth and security. The poorest nations tend to suffer most from health problems. Illnesses are a severe impediment to economic growth and sustainable development. Two issues call for our immediate attention: Antibiotic resistance and so-called neglected tropical diseases (NTDs). G7 countries and B7 companies play a vital role in tackling these challenges.

Recommendations

- The B7 call upon the G7 governments to demonstrate global leadership in developing health care solutions that provide access to healthcare in a sustainable, cost-effective manner by recognizing the immense societal value of public and private investment in health.
- The B7 call upon the G7 to assist developing countries in becoming partners in the fight against emerging antimicrobial drug resistance.
- The creation of the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria (GFATM) shows how successful a concerted campaign by the global community can be. NTDs were disregarded during the creation of the GFATM and this omission needs to be corrected.

Preamble

The international community faces unprecedented political, social, economic, and environmental challenges. We the B7, as the heads of the leading business and industry associations from the G7 countries, laud the efforts of the G7 to address these challenges. The members of the G7 together account for approximately 46 percent of global GDP and around 35 percent of global trade, sharing many core values and principles, including democracy, the rule of law, respect for human rights, freedom and openness, as well as the belief in market economies. As such, the G7 is indispensable in shaping the global agenda. We, the leaders of the B7, stand ready to aid the G7 in responding to many of the pressing global challenges our economies face.

Geopolitical conflict continues to spread and the resulting turmoil is a reminder of how fragile the globalized world has become. The B7 laud the efforts of the G7 leaders to tackle the risks we face in an increasingly globalized and interconnected world, ranging from interstate conflicts, terrorism, and social instability to new security threats such as the outbreak of the Ebola virus disease. The B7 fully support the coordinated efforts and actions of the G7 to uphold freedom, peace, and territorial integrity. Sustainable and lasting peace requires international cooperation just as it requires favorable economic conditions. The members of the B7 contribute to this process through industrial innovation which generates growth and can, in turn, contribute to improved living conditions for millions of people worldwide.

While the global economy has stabilized following the recent financial and economic crisis, this is no reason for complacency. The B7 therefore encourage the G7 to undertake necessary structural reforms, follow sound fiscal policies, and pursue realistic strategies for investment and growth. We urge our governments to address barriers to, and bottlenecks in, higher public and private investment. As potential output growth in both advanced and emerging markets had to be substantially revised downwards, a strong emphasis on strengthening growth potentials globally is warranted. Investment frameworks for research, development, and innovation in general should be reviewed in a comprehensive manner. In many nations, policies addressing the innovation environment for firms will have to be strengthened substantially to promote stronger long-term factor productivity and economic growth. Macroeconomic policies will have to be tailored to the weaker fundamental setting in the medium-term. Restarting the global investment engine at a more normal speed may well require a prolonged phase of macroeconomic accommodation while acknowledging the new fundamentals.

The positive contribution that free and rules based trade has made to jobs and growth around the world remains undisputed. The B7 thus urge the G7 to work towards a successful conclusion of the Doha Round of the World Trade Organization (WTO). The Ministerial Conference later this year will be pivotal for setting the agenda for a Doha accord. Bilateral and plurilateral free trade

agreements (FTAs) and sector-specific plurilateral agreements can be a stepping-stone towards multilateral trade liberalization and a venue to advance global rules for trade and investment. The B7 therefore urge the G7 to work towards trade agreements which are compatible with the WTO and advance global value chains.

The year 2015 offers many opportunities to shape global governance. The B7 call on the G7 to work constructively towards a climate accord at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), COP21, in Paris later this year. The COP21 has tremendous potential to advance climate protection while creating sound business conditions which facilitate and strengthen investment, innovation, and growth. The B7 support the transition towards a sustainable, low carbon global economy and establishment of a level playing field for business, but understand that these goals cannot be achieved at the national level and therefore await tangible results from COP21.

While the world is becoming increasingly interconnected, many less and least developing countries still lag behind. The United Nations Summit to adopt the post-2015 development agenda, which will take place in New York this year, will be an opportunity to advance development worldwide. The B7 understand that building strong, inclusive, and resilient economies is a prerequisite for development and are keenly aware of the important

role which trade and investment play in achieving this end. Consequently, the B7 call on the G7 to work constructively towards measures which will help countries to integrate into global value chains.

Business plays an important role in responding to a variety of wider societal economic challenges. Industrial innovation is crucial to developing sustainable solutions in the face of a growing world population. It also serves as the basis to effectively address climate change while realizing a strong, job-creating economic environment. To that end, the B7 has agreed on joint positions regarding sustainable supply chains, energy and climate policies, secure and efficient resource consumption, and innovation in healthcare systems for consideration by the G7. These issues have one thing in common: they must be tackled globally with each nation and each business community bringing its own expertise and taking on its own distinct responsibilities.

Global Supply Chains Create Jobs, Upgrade Skills, and Foster Innovation and Competitiveness

Economies are becoming increasingly interconnected and interdependent. Between 30 and 60 percent of G20 countries' exports contain imported inputs or are used as inputs by others. While industrialized countries remain the drivers of global supply chains, the share of emerging economies in trade in intermediate goods is on the rise. Yet some regions still lag behind, particularly countries in Africa and Latin American. These countries need to be enabled to participate in global supply chains.

Taking part in global supply chains offers great opportunities for both countries and companies: better living standards, higher productivity, the deployment of new technologies, increased employment opportunities, and more diversified and resilient economies. By investing abroad, G7 businesses not only contribute to a diffusion of capital, knowledge, and knowhow, but also help to establish higher standards throughout the supply chain. Sustainable global supply chains are not an

add-on, but a core interest of companies. Investing in sustainability can pay off: it reduces risks and improves stable investment conditions. Therefore, proper and adequate supply chain management is a priority for companies as well as their respective business and employers' organizations at the national and international level.

There are numerous initiatives, alliances, and measures that companies use to meet their responsibilities in the supply chain, and an increasing number of companies are already very active in this regard. More and more companies require their suppliers to respect human rights or help them to meet environmental and social standards. This is especially true since consumers across the globe are becoming more sensitive to how products and services are produced and traded. Performance indices for both countries and business are increasingly taking into account social and environmental indicators.

B7 Recommendations

The G7 Supply Chain Initiative Should Strengthen the Responsibility of Governments

The G7 initiative on decent working conditions in supply chains must not undermine the different roles governments and businesses have to play. Governments have the primary role and responsibility for setting up effective labor inspection systems as well as judicial systems that give people access to remedy in the event of unanticipated adverse impacts of undertakings. Business cannot take over this role for governments. Additionally, fundamental environmental and social standards must be enacted and implemented by States. The G7 should therefore help to clarify the different roles of governments and companies. The UN Guiding Principles on Business and Human Rights adopted in 2011 crystallize the proper division of roles through the three-pillar “Protect – Respect – Remedy” approach. Under this approach, it is the task of the State to protect people in its territory against human rights infringements and it is the duty of companies to respect human rights.

Promote Realistic and Complementary Approaches

The G7 should help to free Corporate Social Responsibility (CSR) from exaggerated expectations. Companies are conscious of their responsibility, but CSR is not a panacea. Global supply chains are diverse, complex, and unstable; bigger companies have thousands of suppliers in many tiers, and these suppliers are also continually changing. Moreover, companies are often both supplier and end producer at the same time. The ways in which companies can influence the supply chain vary, depending on the number of suppliers, structure, and complexity of the supply chain as well as on the market situation of the company. In many cases suppliers may have a strong market position and their customers are not in a position to impose supply conditions, or even only to influence them. In certain cases, even smaller companies in the supply chain have a monopoly position, which allows them to resist any influence from customers. Given the depth and complexity of global supply chains, a small number of business enterprises alone cannot ensure sustainability. Monitoring the entirety of global supply chains is impossible for any single up- or downstream company. Only through cooperation between, e.g. suppliers and clients, governments and international institutions, are companies able to contribute to tackling this multidimensional challenge.

Supply Chains Need to Be Addressed Globally

The B7 acknowledges that the focus of the G7 on global supply chains may contribute to a clearer understanding of the distinct roles of the actors concerned (governments, suppliers, buyers). However, the discussion in the G7 can only be a starting point. Indeed, the discussion on supply chains is a matter for a truly global debate and would be best served by taking place in a forum such as the International Labour Conference in 2016. As we saw with the application of the Organisation for Economic Co-operation and Development (OECD) Multinational Enterprises (MNE) Guidelines, some important emerging economies do not want to subscribe to initiatives that they were not involved in developing. The G7 supply chain initiative risks the same fate if we are not careful to involve emerging economies at an early stage in its design and development.

Creation of a Global Level Playing Field – Disseminating the OECD Guidelines for Multinational Enterprises

The G7 should endeavor to attract additional non-OECD countries for the OECD MNE Guidelines. In a globalized world, the OECD Guidelines play a key role in shaping fair competition. The practical approach strengthens responsible conduct by companies. The task now is to disseminate the Guidelines worldwide beyond OECD Member States as recognized principles for responsible business conduct with respect to foreign investments. In particular emerging countries such as China and India should be persuaded to endorse the guidelines in order to establish responsible framework conditions for international trade. Clearly, the OECD MNE Guidelines on their own are not capable of ensuring a global level playing field, but the Guidelines have the potential to underpin these efforts and we would be remiss not to seize upon this potential.

Strengthening National Institutions, Working on Prevention

The B7 welcome the efforts of the G7 to strengthen institutions at the national level. Governments have the greatest leverage in maintaining fair and responsible working and environmental conditions at home. The B7 fully support the approach of the G7 in focusing on strengthening prevention. This approach must be based on governmental capacity building efforts at a global level. In this respect, governments should choose a horizontal approach. Companies have to comply with national laws and should respect human rights. In practice, the number of CSR initiatives at a sectoral level and the number of companies which integrate CSR and sustainability strategies in their core business and their supply chain management is growing constantly. However, such CSR initiatives can only serve to complement governmental capacity building efforts.

“Vision Zero Fund” Needs to Be Carefully Designed

The B7 is in principle open to discussing the idea of the German government to create a “Vision Zero Fund,” if the set-up of the Fund fulfils certain criteria. Such a Fund can be helpful in preventing work related accidents especially in less developed countries, but the Fund needs to be carefully designed to ensure that it really fosters Occupational Safety and Health (OSH) standards worldwide. Among others, contributing to the Fund should be voluntary.

1. **Focus:** The B7 agree with the necessity of improving the safety of workplaces in producing countries, but this is not a supply chain-specific issue. The Fund should not lead to a two-tier system in which companies integrated in global supply chains would have better social and environmental standards than those producing for domestic markets. Funding needs to be well-targeted, timely, transparent, and accountable.
2. **Measures:** The B7 emphasize that measures should be focused on prevention rather than remedy. A remedy fund would jeopardize any effort to strengthen the accountability of States that fail to enact and implement proper labor inspection systems as well as companies which do not respect their legal obligations. Furthermore, the Fund would never be large enough to compensate for all OSH-related incidents that occur in

all sectors and all countries. The B7 support preventive measures which strengthen public frameworks such as occupational safety and health systems, independent labor inspections, and setting-up of national work-related injury insurance schemes. As such, the Fund should also support measures under the International Labour Organization's (ILO) Better Work Program. The B7 is open to discussing the idea that private sector contributions to the Fund could be used for supporting company level prevention activities in the private sector. These should also allow for joint public-private partnerships (PPP).

3. **Responsibility and Funding:** The Vision Zero Fund should not distort the right division of responsibilities between governments and companies as stated above. It should receive funding primarily from governments of the G7 and beyond. The business community alone cannot be expected to fuel the Fund.
4. **Access and Conditionality:** The Fund should not discourage governments and companies of producer countries from investing in occupational safety and health. Accordingly, only those countries and companies that fulfil certain requirements should have access to the Fund. Countries and companies must commit to prevention and the implementation of minimum labor, environmental, and safety standards. In the case of non-compliance, support should be withdrawn.
5. **Ownership and Cooperation:** To ensure that the Fund mobilizes public support, the G7 can only be the starting point of discussions. It is important to carry the debate into the G20 and also work together with the emerging economies.
6. **Management:** The B7 believe that if such a Fund was set up, the management structure has to follow a multi-stakeholder approach. A steering committee should be created which monitors financial allocation.

Reducing Supply Chain Barriers

The fragmentation of global production has important implications for trade and investment policies. Reducing supply chain barriers means not only reducing tariffs for final products, but removing non-tariff measures along the whole supply chain for goods, services, and investment. To enable countries to participate in global supply chains, tariffs have to be reduced, open direct investment regimes need to be established, and high standards of intellectual property protection need to be enforced. Furthermore, regulatory cooperation should be reinforced in order to avoid unnecessary regulatory divergences. Bilateral and plurilateral free trade agreements (FTAs) such as the Transatlantic Trade and Investment Partnership (TTIP), the Comprehensive Economic and Trade Agreement (CETA), the Trans-Pacific Partnership (TPP), and the EU-Japan FTA, as well as plurilateral sector agreements such as the Trade in Services Agreement (TiSA) are an excellent means to this end.

Global supply chains underline the importance of streamlining administrative and customs procedures. Fast, easy, and cost-effective procedures at the border are indispensable. The importance of trade facilitation cannot be overemphasized. Removing red tape at the border together with improving trade infrastructure would facilitate both imports and exports. Global supply chains also strengthen the case for liberalizing trade multilaterally, as barriers between third countries upstream or downstream now matter as much as barriers put in place by direct trading partners. Accordingly, the Trade Facilitation Agreement, which the WTO members agreed on during the Bali Ministerial Meeting in December 2013, should be implemented as quickly as possible. The largest benefits would come from simplifying trade documents and harmonizing them in accordance with international standards, automation (such as electronic exchange of data and automated border procedures), and improving information availability (publication of trade information, including on internet; enquiry points). The B7 also call upon the G7 to work towards a successful conclusion of the WTO's Doha Round.

Raw Materials: Secure Supply and Efficient Use

Taking advantage of natural resources has enabled humans to achieve an unprecedented level of prosperity and standard of living. Yet, a more efficient and deliberate use of fossil and mineral resources is paramount.

After almost a decade of rapidly rising prices from 2000 to 2009, prices for many natural resources have fallen since 2010 and the geological availability is vast – also due to increased accessibility brought about through the development of new technologies. However, this is no time for complacency. Not all resources are readily available on the markets since deposits are sometimes localized in a handful of countries, with production in the hands of very few companies. Due to increasingly frequent state intervention, such as export restrictions, market mechanisms often fail to function satisfactorily.

Furthermore, the demand for raw materials is likely to increase. Several trends drive demand: strong economic growth in newly industrialized and developing countries and the legitimate aspiration for better living conditions accompanied by an increasing demand for

processed goods, technological change, and a growing world population.

Only those companies that invest in resource efficiency will be able to succeed in international competition and seize market opportunities. This consists not only of optimizing production processes, transport, and storing, but also reducing waste along the global supply chain. The development of new innovative materials and processes, intermediate products, and recycling techniques are also crucial.

Many industrial materials and products are characterized by multifarious application possibilities and recycling properties. After usage and appropriate treatment they can be reused in various products and thus be returned to the economic cycle. In this way, industry is providing a substantial contribution to the circular economy by a more efficient use of primary raw materials and by contributing to the conservation of resources.

B7 Recommendations

The path towards more sustainable and resource efficient industrial production needs to be paved by appropriate political conditions and a suitable policy framework. The B7 welcome the initiative on resource efficiency introduced by the German G7 Presidency as a sound basis for discussion. The B7 also support the establishment of a G7 alliance for resource efficiency. This alliance could function as forum to exchange lessons learned, compare risk assessments and risk management solutions, make contacts, pool knowledge and improve coordination between policymakers and industry.

Foster Research and Innovation

G7 governments should support business in its effort to develop innovative products and processes as well as the application of these technologies through targeted and voluntary National Resource Partnership Programs between government and business. As there is no one-size-fits-all approach, these programs should be country, region and sector specific, taking into account any spillover effects, and reflecting the needs of each G7 member. For example, governments could intensify their support of research activities and the application of new materials and technologies in industry through public funding programs, incentives in tax and amortizations rules, procurement requirements, and support for private financing and other market solutions.

Supporting Small and Medium Enterprises

The B7 call on the G7 to step up assistance to Small and Medium-Sized Enterprises (SMEs) concerning the efficient use of materials in industrial production. The “Action for Resource Efficiency in Medium-Sized Companies”, proposed by the German Federal Government on the occasion of the G7 Presidency in 2015, is a step in the right direction. The B7 support this endeavor. SMEs in particular need assistance in calculating and evaluating resource intensity of their production and potential for reductions. Consultation on new technological and digitalized solutions regarding material efficiency is therefore required.

Creating an Information Platform for Resource Efficiency

A G7 technology radar and information platform could help companies to receive and exchange information on technological developments and to share best practices. This is of particular importance for small and medium-sized enterprises.

Public Procurement

Public procurement can be an important impetus for implementing innovative products and technologies. A reliable framework that promotes investment in recycling technologies, realizes the export potential of waste processing plants, and facilitates the use of secondary materials in industrial processes is crucial. Many countries and subnational authorities still have procurement rules that are based only on low cost bids. This is a barrier to new technologies and a disincentive for highly efficient production, which may have higher upfront costs.

The B7 support all the initiatives aimed at fostering non-discriminatory and transparent national public procurement policies. The endeavor of the World Bank in establishing a public procurement benchmark reporting is a good example that should be extended to cover a larger number of countries. Such reporting could foster procurement reforms worldwide. The B7 also emphasize the importance of open procurement markets. We regret the growing trend of “buy national” policies in government procurement practices and call on the G7 to foster non-discriminatory procurement markets worldwide.

Deep Sea Mining

While deep sea mining has significant potential as a future source of raw materials, its realization depends above all on whether environmentally compatible production is feasible. Considering that the drawing up of codes governing marine mining, which are determined by the International Seabed Authority (ISA), still lies ahead, the G7 should ensure high environmental standards in the regulatory framework for deep sea mining.

Promote Transparency in the Raw Material Sector

An important prerequisite for sustainable development in mineral producing countries is the responsible use of revenues acquired from raw materials. The Extractive Industries Transparency Initiative (EITI), a voluntary and multi-stakeholder initiative launched in 2003, monitors revenues generated by resource extraction on a country by country basis. By disclosing cash flows tied to business and governments, EITI implements and maintains transparency. The G7 should reach out to enable other resource-rich countries to join this transparency initiative, to make EITI a global common standard in the future.

Fair Markets in Raw Materials

The B7 call for strong actions by the G7 in order to counter trade distorting resource policies. The subsidizing of raw material imports, prohibitive export tariffs, and

strict export quotas are an increasingly widespread phenomenon. Applied to give domestic companies a competitive edge, these practices distort trade and result in the misallocation of raw materials. Over the last 20 years, the WTO has liberalized world trade and helped to settle trade disputes in an orderly manner. Since the WTO rule book does not address export restrictions such as tariffs, other duties and licensing requirements in an adequate manner, it has not been sufficiently able to curtail the proliferation of export restricting measures. The B7 advocate for an update of WTO rules on export restrictions. The B7 also call on the G7 to work towards a permanent and more effective monitoring of the trade and investment measures of the G20. Particularly, measures affecting raw materials markets should get regular attention in the reports prepared by OECD, WTO and United Nations Conference on Trade and Development (UNCTAD) as well as in meetings of G7 and G20 leaders.

Energy, Energy Efficiency, and Climate Policy

Delivering secure, affordable, and clean energy while using resources responsibly and efficiently is an integral part of sustainable economic growth worldwide.

Over the past 20 years, the G7 Member States have markedly lowered their greenhouse gas (GHG) footprint. This would not have been possible without the continuous efforts by industry to invest in highly efficient production facilities and to take significant steps toward reducing GHG emissions.

The members of the B7 are pioneers in technology, offering industry leading technical expertise and innovative solutions, which will pave the way towards greater energy efficiency and lower GHG emissions worldwide. This industrial innovation is pivotal if we are to successfully

transform economies throughout the world into more energy efficient, low waste, and low carbon economies.

Predictable and transparent policy conditions and a level playing field in global markets are indispensable for effective climate protection. This would also encourage companies to invest further in research and development of new technologies. A global agreement with the responsible participation of all major emitters could serve as the foundation to facilitate this transformation worldwide. The B7 therefore urge the G7 to constructively work towards such an agreement at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris later this year, the COP21.

B7 Recommendations

COP21: Ambitious Contributions from all Parties

The B7 support an agreement containing comparable, verifiable and ambitious, but also realistic contributions from all Parties. This agreement should – keeping in line with the objective of the UNFCCC – ultimately put the world on track for substantial reduction of global emissions. In addition, it should promote the development and diffusion of innovative technologies, which are crucial to realizing GHG reduction in the long-term. The agreement should reflect changing global circumstances under the UNFCCC and should enter into force as soon as it is endorsed by countries which account for a considerable amount of global emissions. We urge the G7 to call on all major economies to participate in the new agreement and to enact comparable mitigation efforts in accordance with their national capabilities.

Under the new agreement, in addition to domestic emissions reduction contributions, all countries should be encouraged to engage in climate finance, technology development, and capacity building. In order to achieve climate resilient sustainable development, the Parties to the agreement should not only contribute to GHG emission reduction, but also promote adaptation measures to address the adverse effects of climate change. These measures should be consistent with the countries' diverse energy landscapes.

The only way to achieve the necessary trust in the new agreement is to ensure that it includes a robust transparency and accountability system for all Parties to the agreement. The system must therefore include comparable national rules on measurement, reporting, and verification (MRV) as well as a review process.

COP21 and Beyond: Assure Private Sector Engagement

As national governments consider strategies to implement the new post-2020 agreement expected to be completed at the COP21 later this year, the B7 urge the G7 members to intensively consult the business community. The expertise of the business community is essential in achieving effective and sustainable outcomes.

In the international context, we also call on Governments to support the creation of a more formal channel of communication between the business community and the UNFCCC that could be used to access business expertise across a range of important issues.

Climate Policy – Establishing Effective Policies across the World

The agreement should develop a long-term, market-oriented, and transparent policy framework. This is an essential element of a successful transformation towards low-carbon economies. And it is an important prerequisite for establishing a level playing field for companies and for fostering investment and innovation. Under such a framework, countries should be permitted to follow different strategies, allowing them to employ a broad range of existing tools such as energy efficiency measures, private sector initiatives, or carbon pricing tools.

Energy Policy: Energy Efficiency

An important contribution in reducing GHG is made by energy efficient innovations along the entire industrial value chain. Sector specific potential for improving energy efficiency vary from country to country. For many B7 members the building sector is particularly predestined for energy saving measures.

We urge the G7 to remove regulatory barriers that limit the diffusion of energy efficient technologies and promote these technologies through the proper use of financing mechanisms and export credits as well as enhanced cooperation with international organizations and international fora. To provide additional private incentives for investment in energy efficiency, we call on G7 governments to allow the cost of energy efficient measures to be amortized and paid off by future savings generated through efficiency measures.

Energy Policy – Implementation of Energy Efficiency Networks

The B7 welcome the creation of energy efficiency networks, possibly supported by governments, in which the private sector can participate on a voluntary basis. Networks create a positive culture towards energy efficiency with little bureaucracy. Furthermore, they make an important contribution towards mitigating climate change and boosting energy efficiency in industry, crafts, trade, and commerce.

An energy efficiency network consists of company members and an energy consultant. The practitioners – supported by an internal or external energy consultant – share ideas on how to improve the energy efficiency of their production processes and discuss ways to implement efficiency measures. Experience indicates that there is tremendous potential in these sorts of networks. Some companies which are already participating in similar schemes were able to double their energy efficiency compared to the average in their sector.

Path to the Future: Recognizing the Continued Need for Traditional Fuel Sources

The International Energy Agency (IEA) projects that fossil fuels will continue to provide the bulk of global

energy demand for decades. While G7 governments look toward future energy sources, they must support the predictable and sustainable development of existing deposits of oil, gas, and coal. Climate change efforts should target efficiency improvements, new technologies, and demand-side factors, while not restricting the ability of companies to responsibly extract fossil fuels or deliver them to market.

G7: Rome Energy Initiative for Energy Security

The B7 support a broad energy security strategy and call on the G7 to enhance energy efficiency in demand and supply, improving energy systems resilience and energy infrastructure modernization. It is needed to address the larger dimensions of today's globalized energy markets which are shared among energy consumers, producers, and transit countries. Both, national and regional actions are required in order to address short, medium, and long-term security challenges.

We support the G7 Initiative on the development of flexible, transparent, and competitive energy markets – including gas markets – which also allow for the diversification of fuels, sources, and routes, and encouragement of indigenous sources of energy supply.

Sustainable Health Care Systems: Research and Innovation

Today, patients are living longer, healthier, and more productive lives thanks to innovative medicines. Research and development is essential to ensuring delivery of new medicines to treat and cure illnesses which threaten or otherwise impact uncountable lives.

The health care sector is one of the largest business sectors in the G7. Its research intensity and power to innovate, its large share in employment and its outward orientation make the sector an important driver of economic growth. Future prospects are promising: the global market is expected to grow by approximately six percent until 2030.

At the same time, the global healthcare sector has never faced more challenges than today. Demographic change, an aging population and increasing life expectancies, together with increasing demand for healthcare products and services, place a growing burden on the health care system of many countries, stretching public and private funding systems. The increase of numerous chronic diseases (heart disease, stroke, cancer, diabetes and other chronic diseases) and the high prevalence of debilitating communicable diseases, including emerging and re-emerging diseases, as well as medical intolerances also put enormous pressure on the sector.

Timely and efficient investment in healthcare can help address these challenges and contribute to added years of productive life for both the individual and society. A healthy population is essential to delivering sustainable and inclusive economic growth and security. One extra year of life expectancy raises a country's per capita GDP by about four percent.

The poorest nations tend to suffer most from health problems. Illnesses are a severe impediment to economic growth and sustainable development. They create a significant financial burden in the form of healthcare expenditures and lost productivity. Governments in less and least developed countries are struggling in offering adequate access to health care to their populations. Often, they struggle due to workforce shortages, patient locations, and infrastructure limitations, in addition to budgetary constraints. Innovative treatments need to reach a wide group of patients who urgently need them in often remote areas without sufficient health care or distribution infrastructure.

Many pharmaceutical companies are already contributing significantly to combating diseases in emerging

and developing countries, but it is a battle which can be won only with joint efforts. Therefore, the B7 laud the efforts of the G7 placing the issue of health on the agenda of this year's summit. The challenges are manifold. Two issues call for our immediate attention: Antibiotic resistance and so-called neglected tropical diseases. G7 countries and B7 companies play a vital role in tackling these challenges.

Antibiotic Resistance

Since the first antibiotic penicillin, which was introduced in the 1940s and came into wide scale use in the 1950s, anti-infective drugs have been one of the most effective health interventions in the history of modern medicine. Whether used to treat bacterial infections, tuberculosis, malaria, or HIV, antibiotic drugs have become a crucial part of modern life. Over many decades meticulous scientific research has left modern societies in a healthy condition that we all aim to pass on to future generations. The objective of universal health, however, is being threatened by the growing problem of infectious diseases being resistant to a growing number of antibiotics.

In recent decades, the rate of discovery of novel compounds, especially of antibiotics, has decreased considerably. From discovery to market it typically takes 10 to 15 years. The current need, therefore, is not only to extend the life span of existing drugs but also to encourage the discovery and development of new anti-infective drugs to combat imminent drug resistances.

The current situation is getting more and more serious. An increasing number of resistances are being detected to all known drug treatments, especially amongst bacteria. The common bacterial infections caused by enterobacteria in hospital settings are rising as well. It has been recently discovered that they have become resistant to 'last-resort antibiotics'. These bacteria are an increasing cause of mortality in many countries.

Various factors have been identified as contributing to the emergence and spread of resistant microorganisms. These include: irrational and self-use of antibiotics; lack of adherence to a prescribed regimen; and partially inappropriate non-human use of antibiotics in livestock. Problems also arise due to the lack of policies which regulate the rotation of antibiotics and infection-controls in hospitals.

Neglected Tropical Diseases

More than one billion people worldwide are at risk to become infected by neglected tropical diseases (NTDs). Children are deprived of their development prospects since maternal mortality is much higher among infected women. Adults are unable to work. The disease burden due to NTDs is comparable to that of HIV/AIDS, tuberculosis and malaria. Yet, the highly developed countries have merely taken notice of NTDs so far. This needs to be changed.

Moreover, the successful prevention and treatment of NTDs is to a large extent already possible and can be achieved at relatively low costs. In many countries

there are already partnership programs encouraging civil society, industry, the affected countries, and the World Health Organization (WHO) to cooperate. These partnership programs need to be expanded and extended to cover the endemic regions. The current focus lies on the so-called “Big 5” (Onchocerciasis, Trachoma, Schistosomiasis, Lymphatic Filariasis and Soil-transmitted Helminths). The objective should be to assure that those health interventions currently available to prevent and treat poverty-related diseases also reach the people who most urgently need them. The recent Ebola outbreak has demonstrated how fragile and underdeveloped the healthcare systems in developing countries are.

B7 Recommendations

G7 governments should demonstrate global leadership in developing health care solutions that provide access to healthcare in a sustainable, cost-effective manner by recognizing the immense societal value of public and private investment in health. Prioritizing investments in healthcare and the development of effective, sustainable healthcare systems will improve both the health of domestic populations and support the financial stability of G7 economies.

Sustainable health systems start with:

- optimizing population health management across the continuum of care and increasing investment in prevention and wellness;
- focusing health system design on measuring the right outcomes and supporting treatment tailored to the patient while relying on the advancement of digital technology and other innovations;
- promoting healthcare systems that provide incentives for the uptake of high value products that deliver societal benefits;
- supporting pricing models that enable broader access to medicines. Differentiated pricing has the potential to significantly improve access to innovative medicines in developing economies while preserving the incentives for investment in innovation.

Investment and Innovation

Robust patent protection is a key factor for the private sector to undertake the cost and risk of pharmaceutical development.

- The B7 call upon the G7 to acknowledge that investment in pharmaceutical research and development is an investment in society and a driver for economic growth.
- The B7 would like to see the G7 encourage innovation nationally and internationally and develop a robust environment that encourages risk-taking and the essential investment of the private sector into research and development.
- G7 should strengthen patent enforcement and protection of intellectual property rights around the world. Without these, research-based pharmaceutical com-

panies will not be in a position to embark upon the uncertain and expensive investments required to develop innovative medicines for patients around the world.

- G7 should foster collective reflection on how to improve incentives for research into areas of high medical need and low economic value for the researched based pharmaceutical industry.

Tackling Antibiotic Resistance

The following actions are needed to reduce the burden of drug resistance in order to improve global health and to enhance economic well-being.

Promote Information Programs on the Rational and Responsible Use of Anti-infective Drugs: This should target medical doctors, patients and other members of society, particularly those involved in animal husbandry and industrial use of antibiotics.

Set up a “Drug Policy” among Member Countries: This “drug policy” would encompass all necessary regulations for dispensation of vulnerable anti-infective drugs, standard guidelines for anti-infective drug prescriptions, limiting the use of these agents in animal husbandry and assuring the availability of high-quality and appropriate anti-infective therapies.

Enhance Prevention and Control Policies: This can be achieved by preventing and controlling the infections through more systematic use of existing vaccines and in some cases development of new vaccines against problematic infections including bacterial infections acquired in hospital settings, and promotion of universal measures of hygiene and sanitation relevant to prevention of infection.

Encourage Pharmaceutical Companies, in Collaboration with Public Funded Researchers, to Develop New Antimicrobials: New scientific approaches using genomics, proteomics and bioinformatics can speed up the identification of new targets and the development of new therapeutic molecules particularly against resistant microorganisms. Governments should initiate meaningful policies – including financial and regulatory measures – to encourage the pharmaceutical industry to develop novel antibiotics expeditiously. Development of new diagnostics tests and biomarkers for drug resistance

are also important in fighting the menace of antimicrobial drug resistance.

Enhancement of R&D Capability of Developing Countries to be a Partner in the Fight against Emerging Antimicrobial Drug Resistance: Developing countries should take a bigger part in all of the endeavors discussed above, since the problem of antimicrobial drug resistance more acutely affects them. The cooperation, both amongst scientists and industry, between the industrialized and developing countries should be actively supported to achieve the desired end.

Addressing Neglected Tropical Diseases

The following actions are needed to reduce the burden of neglected tropical diseases.

Extension of the Mandate of the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM): The creation of the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria (GFATM) shows how successful a concerted campaign by the global community can be. The GFATM has become a central tool in supporting affected countries in their efforts to implement suitable treatment programs. NTDs were disregarded during the creation of the GFATM. This omission needs to be corrected. The B7 call upon the governments of the G7 Member States to advocate for the extension of the GFATM mandate and to take the fight against NTDs seriously. The GFATM should ensure that drug programs are coordinated appropriately and, whenever possible, integrated to prevent parallel structures and to realize synergies. The GFATM should also ensure high-quality implementation and install appropriate operational research activities to detect any shortfalls.

Strengthening of Research and Development as Part of G7: The development of new vaccines and medicines is essential to effectively fighting a number of NTDs. There is an urgent need to expand and intensify research and to develop activities in the area of neglected tropical diseases. Considering the risks of possible transmissions of dangerous disease pathogens from animals to humans (“zoonoses”), as illustrated recently by Ebola, strengthening the basic research of NTDs is also essential. The B7 call upon the governments of the G7 Member States to strengthen global research and development activities in the field of neglected tropical diseases.

Research Funds Financed Jointly at the forthcoming G7 Summit: Investment is also required in diagnostics, surveillance systems, and mapping technologies. The recent extension of the European & Developing Countries’ Clinical Trials Partnership (EDCTP) is much welcomed but it can only constitute a first step. The B7 call upon the G7 to promote transnational research for new diagnostics, drugs, and vaccines to fight NTDs.

The WHO’s roadmap for the fight against NTDs anticipates the reduction or elimination of the majority of the diseases by 2025. This objective seems realistic if appropriate tools and adequate resources are available in a well-coordinated manner. In this way, the health and the development prospects of millions of people can be improved decisively.

The research-based pharmaceutical industry is a partner in many of these programs. About 220 partnership programs with industry support exist worldwide. However, the provision of medicines and healthcare services is a complex issue. Manufacturers, healthcare providers, distributors, regulatory authorities, insurance companies, and many others have to work hand in hand to make sure that the patients get the services and commodities they need.

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