EXECUTIVE SUMMARY

Aligning the sector with the Paris Climate Agreement towards 2030 and 2050

November 2017
Why this report?

The International Tourism Partnership – ITP – works with the world’s leading international hotel groups, helping them collaborate for greater impacts on the key sustainability issues affecting the industry. In the lead-up to the launch of ITP’s Goals for 2030, ITP worked with its member companies on the critical issue of carbon and, in seeking to set a meaningful and measurable Goal, we commissioned this report from Greenview to better understand the current and projected climate impact of the hotel sector, the gap that needs to be closed to align with the Paris Climate Agreement and the most impactful actions the sector could take together to ensure future targets are based in science and decouple growth in the sector from growth in carbon emissions.

Global climate action will affect companies

Scientists agree that the acceptable limit of global temperature rise is an average global temperature that is no more than 2 degrees above the average temperatures achieved before the industrial revolution, which has an equivalent in the limit of carbon dioxide that can be released into the atmosphere. Based on the science of climate change, this is the overarching Science-Based Target. This 2-degree scenario is the maximum possible increase in temperature to avoid the most catastrophic effects of climate change. The 2-degree scenario requires a 50-80% global emissions reduction by 2050 from 2010 levels.

The resulting Paris Climate Agreement, a global accord to pursue this scenario, will have specific implications for business: national policies and regulations, taxes and/or cap-and-trade markets, renewable energy price parity increases, smarter and cleaner electric grids, and corporate accountability towards a higher standard on climate action. Many companies have responded to these trends by establishing leadership. Hundreds have declared commitments towards science-based targets and renewable energy.

As a result, to demonstrate leadership, or be recognised as keeping pace with trends, companies will have to set better environmental targets, integrate these issues at the highest company levels and business models, and address climate change’s relation to various business drivers.

To be seen as leaders, hotel companies will need to set science-based carbon reduction targets

This study was undertaken to calculate the hotel industry’s impact on climate change, and the level of reduction needed to achieve a science-based target. The industry’s growth trajectory was calculated against established tools.
To keep pace, the global hotel industry will need to reduce its greenhouse gas (GHG) emissions per room per year by 66% from 2010 levels by 2030, and 90% by 2050. This is above and beyond what most hotel companies have set for carbon targets this far.

Several opportunities exist for evolving to the next-generation thinking about sustainability

To mitigate climate change and achieve science-based targets, hotels and the hotel industry will need to advance their technological solutions and their organisational approach to the topic. Technical approaches to reducing carbon will need to be:

1. **More efficient**: pursuing the highest and most innovative levels of efficient technology, furniture, fittings and equipment (FF&E), and best practice operations; designing highly efficient buildings, engaging guests to be more efficient, and optimising the best solutions for carbon reduction through efficiency pathways.

2. **More renewable**: producing and sourcing more renewable energy directly on-site at properties, procuring energy from partners in innovative agreements, and supporting the acceleration of power grids toward renewables and away from fossil fuels.

3. **More electrified**: supporting the transition to electrification of equipment, and building an infrastructure to generate, store, and distribute electricity across a network.

The technology exists today to fully decarbonise the sector

Solving the issue of climate change turns to how to accelerate the solutions currently available. To do so, hotel industry leaders will need to support an evolution of thought and approach:

1. **Evolve how energy and carbon are valued**: address sustainability as an issue central to any company and CEO legacy; understand the financial risk of inaction; set internal pricing and expand managerial accounting on carbon; and begin to view energy as a fixed-cost asset rather than variable-cost of operation.

2. **Evolve how capital is sourced for sustainability**: expand and innovate in available funding mechanisms such as crowdfunding carbon reduction, raising green bonds, and funnelling lower costs of capital to carbon reduction.

3. **Evolve how capital is spent**: establish corporate mandates to evaluate spend on climate change action, rethink renovation cycles for building upgrades, fund carbon research and development for hotels, and embed carbon reduction opportunities into charitable giving channels.
4. Evolve collaborative approaches to climate action: increase collaboration focus to the destination level, proactively engage hotel owners with solutions across portfolios; collaborate with peers on spend level commitments to generate scale, and engage in collaboration across other sectors.

5. Evolve how climate action is communicated: refresh internal company dialogue on climate change and company strategy to carbon reduction; set additional targets focusing on renewable energy with positive increases, establish forums for dialogue on these issues with hotel owners and developers, engage guests around solutions, and improve transparency on climate risk to investors.

ITP supports its members to answer this challenge

Business recognises the need for action. The hotel sector is growing year on year as global tourism demand increases. Growth brings many economic benefits, often to developing regions, but growth cannot equate to an increase in carbon emissions. For 25 years ITP has worked with the world’s leading hotel groups for sustainable growth.

Our report reveals it is no longer credible to set simple efficiency targets; targets must be science-based. This is the trajectory for leading businesses, and the hotel sector can’t afford to be behind the curve if it claims to be a force for good.

ITP members are already working together to drive change further and reduce GHG emissions at scale. Together they agreed to lead by example and send a call to action across the industry through ITP’s Goals for 2030: “ITP members embrace the ambition of science-based targets and encourage the wider industry to join their collaboration to develop carbon reductions at scale”.

This report shows the path businesses need to take. We’re working with members to draw up both the roadmap for change and the metric for progress, and we invite hotel companies and the wider industry to join us to reduce carbon emissions at scale.