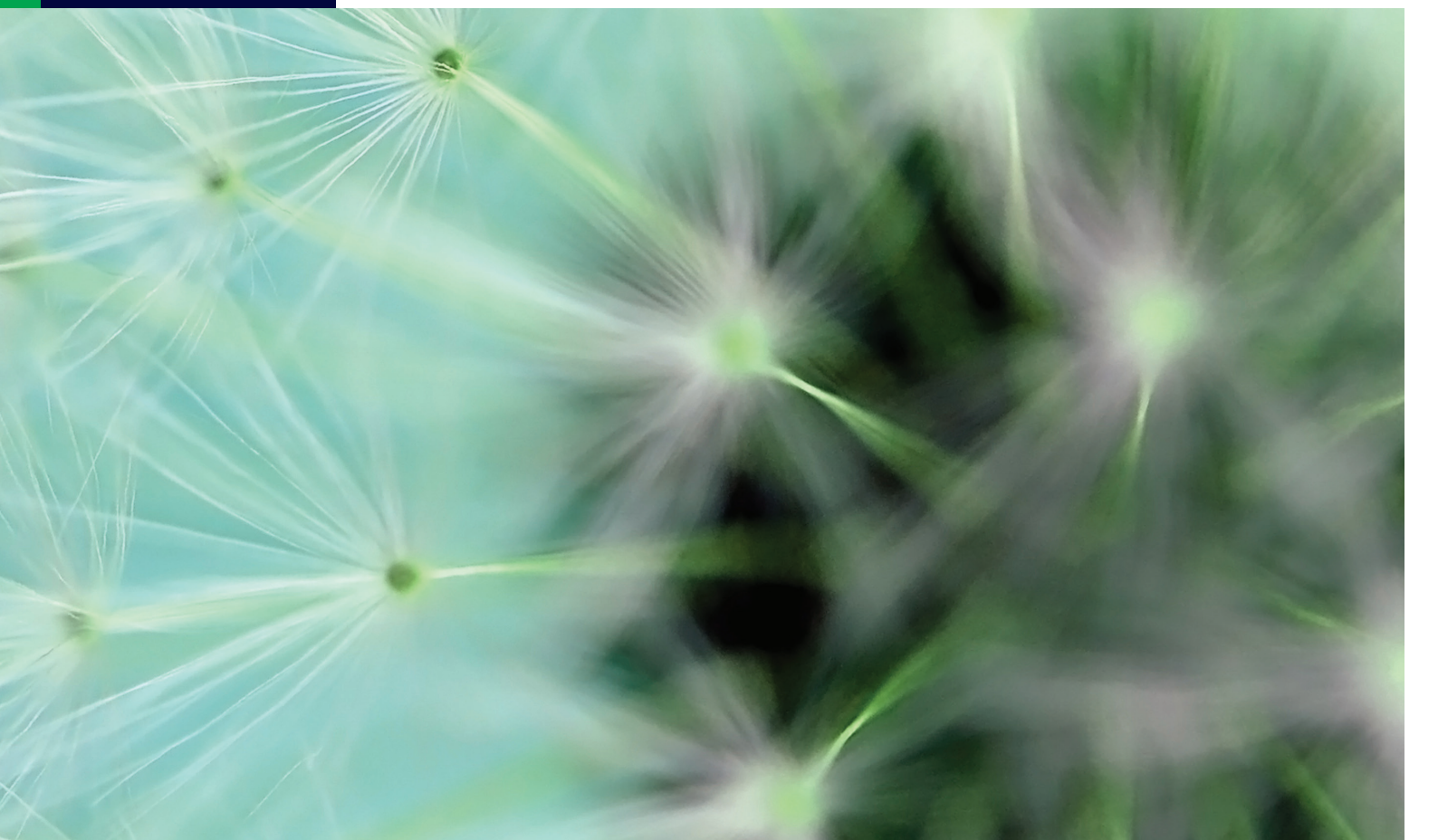


**WORLD
TRAVEL &
TOURISM
COUNCIL**

Travel & Tourism 2015

CONNECTING GLOBAL CLIMATE ACTION





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FOREWORD

In 2009, the World Travel & Tourism Council published *Leading the Challenge on Climate Change* to support the global climate talks backing international agreements. This initiative summarised Travel & Tourism's preparedness for a low-carbon future and set forth a series of commitments, to be strengthened by global accord, but founded on industry-led initiatives.

Specifically, *Leading the Challenge on Climate Change* committed the sector to cutting its CO₂ emissions by 50% from 2005 to 2035.

Since our 2009 call to action, progress in achieving international agreement has stalled, yet Travel & Tourism has made solid progress.

Much has changed in the last six years. While the sector has grown, added more jobs and contributed billions of dollars to economies all over the world, we have seen real commitment to sustainability from business as companies innovate and collaborate with others to reduce their overall impacts. WTTC Members are investing heavily in energy efficiency and renewable energy sources, are protecting valuable ecosystems and have been building awareness of their actions among stakeholders and customers. The majority of WTTC Members are publicly disclosing their efforts through various means of Environmental, Social and Governance (ESG) reporting.

The sector has progressed to the point where WTTC Member companies are 20% more carbon efficient today than they were in 2005, closely approaching the interim target of 25% reduction in 2020 that was set six years ago.

Per passenger, per room, per GDS transaction, and per unit of revenue, we serve global travellers more efficiently, and these efficiency gains carry forth in future tourism growth to contribute to the aspirational goal of a 50% reduction in carbon emissions by 2035.

The past decade served to build awareness and understand the relationship of climate change across Travel & Tourism's value chain. The next decade's actions will determine the paths to achieve long-term, science-based CO₂ reduction targets and our sector's role in global climate action.

Our sector is prepared for the growth in travellers. By 2035, some two billion people will be crossing international borders each year and billions more will travel domestically. Awareness is higher about issues surrounding climate change, and the global efforts needed to address it. The effects of climate change are also more visible; climate risks are more significant.

The next 20 years will be characterised by our sector fully integrating climate change and related issues into business strategy, supporting the global transition to a low carbon economy, strengthening resilience at a local level against climate risks, promoting the value of responsible travel, and greening entire supply chains.

To reach these long term goals, much still needs to be done across Travel & Tourism and other sectors, but we now have a common understanding and are ever-closer to agreement on the global actions necessary. The Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report, released in 2014, contained the strongest language to date with an "unequivocal" warning of "severe, pervasive and irreversible impacts for people of ecosystems" from climate change. The task ahead is daunting.

It is with this evolved understanding of climate change, coupled with the present state of its risks and opportunities, that we refresh our long-term commitments in advance of the Paris COP21 climate talks at the end of this year. We will further refine the priority areas and targets once the COP21 outcomes are clear, capitalising, where we can on the huge opportunity for the sector to engage with and benefit from its vast consumer base to support climate change efforts.

This report outlines the progress we've made since the initial publication of *Leading the Challenge on Climate Change*, our sector's renewed commitments and priorities, and serves as a roadmap for further industry collaboration and collective advancement.



David Scowsill

DAVID SCOWSILL
WTTC PRESIDENT & CEO

INTRODUCTION

Travel & Tourism continues to be one of the world's largest and fastest growing industry sectors, creating jobs, supporting livelihoods and economic activity, and connecting people around the globe.

In 2014 there were 1.2 billion international arrivals and Travel & Tourism supported 9.8% of the world's GDP, and 1 in 11 jobs. Off the back of 23.9% growth in the past decade¹, Travel & Tourism is forecast to grow a further 3.8% per year over the next ten years. By 2030, the UN World Tourism Organisation is estimating 1.8 billion international travellers annually, while, in addition, there will be billions more domestic travellers.

With such robust growth, Travel & Tourism's relationship to climate change becomes critical. As quantification of climate risks and impacts has become more precise, governments, business and consumers now move to realise the true efforts required to sustain our livelihoods on planet Earth.

The Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report, released in 2014, contained the strongest language to date with an "unequivocal" warning of "severe, pervasive and irreversible impacts for people of ecosystems" from climate change².

The report also noted that the impacts of climate change are already beginning to be experienced with lower crop yields and more intense storms and heat waves. The overall warming across the past three decades has been concentrated in oceans, leading to expansion that is eroding coastlines and increasing sea levels; and to acidification, which threatens marine life. The confluence of these factors may also result in serious socio-economic ripple effects, which includes challenges to food supply, health problems, displacement of people, increased poverty and geopolitical conflicts related to energy and natural resources³.

Central to the Report, the IPCC has defined a scenario to avoid catastrophic climate change impacts where global temperatures do not exceed 2° Celsius above pre-industrial temperatures⁴. Currently, the IPCC projects the world is on course for a global increase of 6° Celsius by the end of the century. It is likely that any further agreements or complementary initiatives at the global level will be benchmarked against their alignment to this "2° scenario".

In economic terms the "2° scenario" indicates that globally, CO₂ per dollar of GDP will need to be reduced by 85% by 2050⁴. The challenge on climate change now lies on what businesses can do to align with the "2° scenario", what actions companies should take to respond to the seriousness of business risks associated with climate change; how they can gain further value from their energy and climate strategies; and how to "walk the talk" set forth in corporate responsibility reports and other disclosures in a more meaningful way.

As developing economies transition from production to consumption, service and experience businesses grow. This generates the demand for business travel, and as economies become more developed, the leisure class also grows. The world is more connected for trade and business and people are thirstier to collect experiences which are afforded through travel. As a sector, we believe that if managed correctly, services and experience businesses represent a viable solution for sustainable production and consumption (SCP). However, we must seek ways to transform Travel & Tourism to fulfil this demand, while decoupling growth from increasing carbon emissions and natural & cultural degradation.

At the same time, we also recognise the risk climate change poses in terms of disrupting travel and the natural and cultural heritage that motivates tourists to visit the world's destinations. Investments are needed to reduce our footprint, build resilience, and adapt to a changing climate.

We are ready for the next challenge to build upon this need for investment to support the global transition to a low carbon economy where Travel & Tourism can not only decouple its own development from carbon emissions, but also serve as a platform to catalyse low carbon solutions.

¹ The basis of this calculation is Travel & Tourism GDP in 2014 constant prices

² IPCC Fifth Assessment Report (AR5), 2014

³ IPCC Fifth Assessment Report (AR5), 2014

⁴ See discussion at www.wri.org/blog/2015/07/multi-trillion-dollar-opportunity-better-growth?utm_campaign=wridigest&utm_source=wridigest-2015-07-07&utm_medium=email&utm_content=learnmore

INDUSTRY ACTION

In our 2009 call to action, WTTC set out five key themes for the sector together with a long-term target reducing carbon emissions by 50% from 2005 by 2035.

Despite a lack of global climate accord, collectively, the initiatives and progress made to date have reduced carbon emissions to the point where WTTC Member companies are 20% less carbon-intense now than in 2005⁵, closely approaching our interim target of 25% intensity reduction in 2020⁶. Per passenger, per room, per GDS transaction, and per dollar of revenue, we serve global travellers more efficiently, and these efficiency gains carry forth in future tourism growth to contribute to the long-term goal. The progress in carbon intensity can be attributed to several actions across each of the themes identified in 2009.

Examples of WTTC Member Emissions Reduction Progress

AMADEUS	22.2% reduction in emissions per million billed transactions from 2010 to 2014 at top 10 sites.
ETIHAD AIRWAYS	24% improvement in CO ₂ emissions per passenger from 2006 to 2014.
INTREPID TRAVEL	Became carbon neutral in 2010 for its facilities and ground operations, purchasing renewable energy and offsetting other emissions.
HILTON WORLDWIDE	20.2% reduction in emissions per square meter from 2009 through 2013.
THE HONGKONG AND SHANGHAI HOTELS / THE PENINSULA HOTELS	22% reduction in carbon emissions per square meter from a 2006-2008 average baseline through 2014.
HYATT HOTELS	17% reduction in emissions per square meter from 2006.
MANDARIN ORIENTAL HOTEL GROUP	18.3% reduction in emissions per square meter from 2007 through 2014.
NH HOTELS	69.4% reduction in carbon emissions from 2007 to 2014 for its comparable hotels (over two-thirds of the portfolio).
ROYAL CARIBBEAN CRUISES	20.1% reduction in emissions per passenger cruise day from 2005 to 2013.
SONEVA	Became carbon neutral in 2012 for its direct resort operation and in 2014 for both its direct and indirect resort operations including guest flights, by investing in renewable energy and carbon mitigation projects.
TUI GROUP	10% reduction in airline emissions intensity from 2008 to 2014, real estate and transport emissions reductions of 25% and 22%, respectively from 2011 to 2014.
WYNDHAM WORLDWIDE	20.5% reduction in operationally controlled assets from 2010 to 2014.

⁵ This is based on a sampling of WTTC members from their own reporting and their experience with industry trends

⁶ 25% in absence of a global agreement

ACCOUNTABILITY AND RESPONSIBILITY

Despite a lack of global climate accord, collectively, the initiatives and progress made to date have reduced carbon emissions to the point where WTTC Member companies are 20% less carbon-intensive now than in 2005, closely approaching our interim target of 25% intensity reduction in 2020. Per passenger, per room, per GDS transaction, and per dollar of revenue, we serve global travellers more efficiently, and these efficiency gains carry forth in future tourism growth to contribute to the long-term goal. The progress in carbon intensity can be attributed to several actions across each of the themes identified in 2009.

SNAPSHOT OF WTTC MEMBERS

- Over 60 publicly reporting Environmental, Social, and Governance disclosure
- Over 55 have set carbon emission or energy reduction targets
- Over 40 are using renewable energy in their operations
- Over 25 have implemented carbon management or offsetting programs

We set forth a commitment to develop industry carbon reporting measure progress against our targets. To support the measurement of Travel & Tourism's impact, methods for calculating carbon emissions from hotel stays, meeting space, and transport were developed. The ICAO Carbon Calculator enables travellers and businesses to calculate their footprint from air travel, and has been used a source data set in several applications.

The Hotel Carbon Measurement Initiative (HCMI) is a collaboration of over 20 global hotel companies to standardise hotel carbon calculations, which is then used in the industry Hotel Footprinting & Benchmarking Tool. This provides further default data for quantifying travel, not only for our operations but for the travel segments of all business' carbon emissions. Over 100 airports have joined the Airport Carbon Accreditation programme, a 4-step initiative on carbon measurement toward carbon neutrality and collective reporting of emissions.

HOTEL CARBON MEASUREMENT INITIATIVE

Together with the International Tourism Partnership (ITP), WTTC convened over 20 global leading hotel companies in 2011 to launch the Hotel Carbon Measurement Initiative (HCMI), a common methodology for hotels of all shapes and sizes to measure and report their property's carbon emissions to customers for room nights and meeting space use. The methodology is public and can be requested through WTTC/ITP.

To date, companies representing over 21,000 hotels are using HCMI, further enabling carbon footprinting and offsetting of travel. Industry leaders further collaborated with academia and other partners to create public benchmarks for HCMI and other carbon metrics, now available freely online in the Hotel Footprinting & Benchmarking Tool for travellers and business to calculate the carbon emissions of hotel stays.

For more information see www.wttc.org/mission/tourism-for-tomorrow/

While accountability and measurement initiatives for specific metrics can be industry-led, in practice it has been most beneficial to support globally recognised frameworks for reporting such as the Global Reporting Initiative (GRI) and CDP. These enable disclosure of each company's organisation-wide carbon emissions and equate Travel & Tourism's role across the economy. To support these efforts, WTTC launched ESG Reporting Trends & Guidance for Travel & Tourism, to help businesses understand the common components of reporting and enable sector-wide analysis of progress.

ESG REPORTING IN TRAVEL & TOURISM: TRENDS, OUTLOOK AND GUIDANCE

Publicly reporting on issues relating to sustainability, corporate responsibility or environmental, social and governance (ESG), is a method by which companies demonstrate a commitment to transparency, and, through the reporting processes, articulate and advance management approaches to pro-actively addressing externalities.

To help give Travel & Tourism companies guidance on what and how to report on ESG issues, WTTC prepared a wide-ranging analysis of outline the full spectrum of ESG reporting's background, concepts, terminologies, key entities and available resources. Our report, ESG Reporting in Travel & Tourism: Trends, Outlook and Guidance, provides a broad overview of ESG reporting's history and current status: the state of ESG reporting within Travel & Tourism; and tailored guidance for steps companies can take to begin improving their reporting. The full report is available at www.wttc.org/research/policy-research/esg-reporting/

WTTC has also produced an interactive website tool that showcases where governments and/or stock exchanges around the world have mandated sustainability reporting.

LOCAL COMMUNITY SUSTAINABLE GROWTH AND CAPACITY BUILDING

In 2009 we placed emphasis on addressing the impacts on pristine and vulnerable destinations, with a particular focus on those considered to be biodiversity hotspots or in need of forestry conservation. Furthermore we recognised the need to build capacity of local stakeholders to address related issues and manage impacts.

Many initiatives have been placed to build awareness of Travel & Tourism's role in sustainable development of communities and the opportunities we have to strengthen them. On-the-ground action is present, with all WTTC Members demonstrating some form of community engagement, charitable contributions, disaster relief, or conservation efforts.

Several WTTC Members have set up programs to address deforestation and engage travellers, including Marriott's Spirit to Preserve funding of Amazon rainforest protection, reforestation carbon offset programs offered by United Airlines CarbonChoice program. Local capacity building initiatives have been put in place by tour operators, resorts, and cruise lines regarding local conservation and sustainable development. Corporate efforts have been advanced to develop local strategies – particularly in island communities and other developing countries subject to climate risk. Public-private partnerships have been developed in many destinations where the challenges require multi-sector solutions, Initiatives such as the Sustainable Destination Alliance for the Americas – stimulated with funding and ground support from Royal Caribbean Cruises – engage destinations on a regional level to strengthen local stakeholder capacity. Hyatt's Thrive platform has recognised local communities as central to its business model and focused community and environmental efforts around the local community theme.

SONEVA'S ENVIRONMENTAL FUND

To address carbon emissions, Soneva introduced a "carbon levy" of 2% of room revenue for all room nights. The funds are invested into the development of environmental projects that reduce carbon emissions at the same time as addressing deeper social and environmental challenges. Impact investing principles are used, seeking to recover outlays through carbon finance, which is in turn fed back into projects to help extend the reach and benefits to more families in the communities where Soneva's operations are located. Between 2008 and 2014, this initiative raised US\$ 5.5 million and initiated projects that will mitigate over 1 million tons of carbon emissions. Soneva became carbon neutral in 2014 for both its direct resort operations and indirect operations including guest flights.

Progress has also been made in addressing the protection of biodiversity beyond deforestation. Coral Reef protection initiatives have increased in coastal areas and waste management has improved in cruise line operations. For example, Royal Caribbean Cruises now repurposes 100% of its operational waste on 12 ships, with 90% better performance than IMO standards for bilge water discharge. Bee-keeping on hotel rooftops is a growing trend which addresses the ecosystem threat of colony collapse disorder and local biodiversity; many WTTC hotel member brands are experimenting with 'hive hotels' within their portfolio. Waste minimisation and diversion has improved across most WTTC Members, becoming a prevalent issue in many communities. Finally, progress has been made to address biodiversity protection throughout the supply chain of Travel & Tourism, where many impacts are caused. Sustainable sourcing policies for paper, beef, coffee, palm oil and wood are emerging among some WTTC Members to address local issues indirectly through purchasing power. Supply chain initiatives have strengthened resilience, such as Wyndham Worldwide's commitment to purchasing over 245,000 lbs of Arbor Day Rescue Coffee every year. This coffee is shade-grown to preserve 25 million square feet of rainforests and supports livelihoods in South America. This initiative has allowed for over 700,000 trees to be planted since 2011 with a goal of 1 million trees by 2020.

EDUCATING CUSTOMERS AND STAKEHOLDERS

In 2009, we recognised the importance of bringing awareness of climate change issues and viable approaches to the customer and other stakeholders. We have advanced in spreading awareness, with programs in place to call attention to and mitigate the impacts of travel.

Most Travel & Tourism companies now have branded sustainability programs, and these often include customer engagement programs. Nearly all WTTC hotel members have linen and towel reuse programs. Tour operators have community benefit and conservation programmes, such as Intrepid's programme of economic empowerment and employment in local communities. Some programs such as Starwood's Make a Green Choice and Accor's Plant for the Planet programs are catalysing a trend to incentivise travellers to change their behaviour and make sustainable choices through reward points, gift vouchers, reduced pricing, or making contributions on their behalf. Soneva's carbon levy uses 2% of guests' room revenues to offset carbon emissions through projects that benefit local communities. TUI's Collection excursions are specifically designed according to sustainable tourism criteria, bring benefit to local communities and minimise environmental impact, directly engaging the customer in awareness of how the excursion and experience relates to sustainability. Communications to corporate buyers is mainstream, as ESG reporting helps serve this purpose through its common frameworks and language.

INTREPID TRAVEL: MAKING A DIFFERENCE WITH RESPONSIBLE TRAVEL

In 2010, Intrepid Travel became a carbon neutral company, purchasing renewable energy in facilities, and offsetting emissions from the remainder of facilities and ground operations. In addition to reducing carbon emissions, Intrepid's funding is directed toward projects that strengthen communities and habitats in its biggest itinerary destinations.

Committing to offset emissions and purchase renewable energy has incentivised Intrepid to implement several energy conservation measures, and stimulated several staff participation and engagement initiatives.

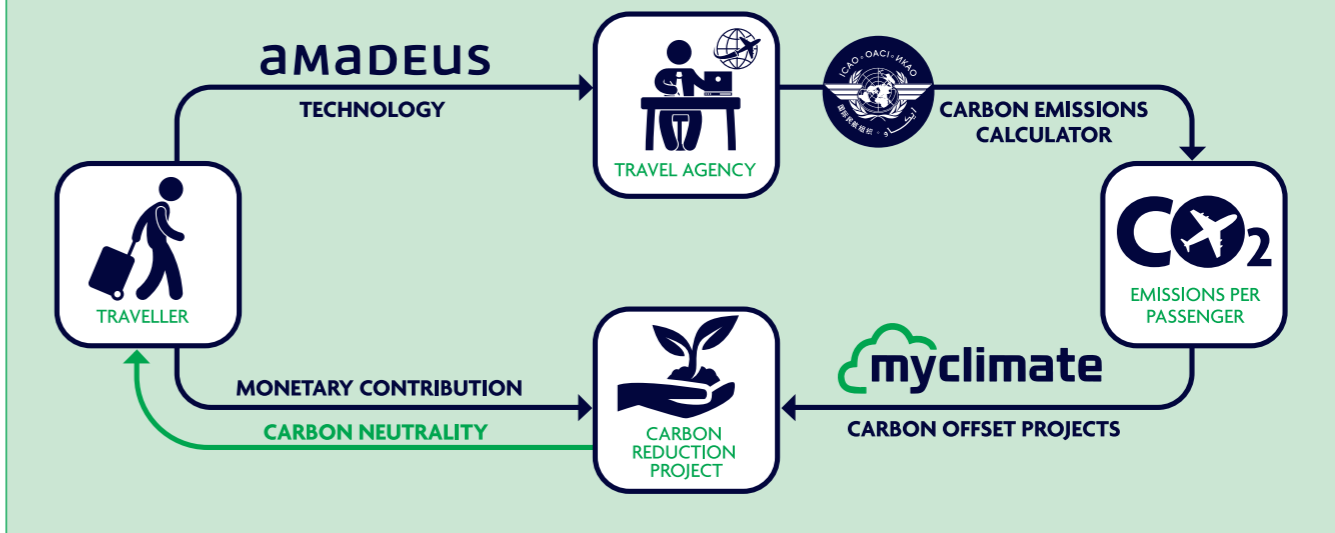
In its operations, Intrepid uses local public transport where available, and seeks locally-owned service providers, food, and goods to reduce emissions from its supply chain.

These collective efforts help build traveller awareness and encourage traveller participation, with travellers being enabled to offset their portion of emissions from transport to the destination, educated on appropriate waste minimisation and recycling efforts, and invited to participate in awareness-building activities with local communities.

Strides have been made in making sustainable options the norm throughout the sector. Research studies continue to show that travellers prefer companies that embed green or eco-friendly practices into their operationsⁱⁱ. Though research also shows a potential unwillingness to pay more for such services, this really implies their ubiquity as travellers come to expect that Travel & Tourism businesses will become sustainable in the same way they expect free Wi-Fi connectivity in hotels or online check-in for air travel.

PARTNERSHIPS FOR AIR TRAVEL CARBON CALCULATION

In partnership with the Japanese Ministry of Economy, the International Civil Aviation Organisation (ICAO) and myclimate Japan, Amadeus has developed and added a new functionality to its online booking engine for travel agencies, enabling the display of the expected carbon footprint for each flight option (as calculated by the International Civil Aviation Organisation's (ICAO's) carbon calculator) and offering carbon offsetting options from myclimate portfolio of carbon reduction projects. This project has the potential to reach millions of travellers.



GREENING SUPPLY CHAINS

The focus of supporting Small and Medium-sized Enterprises (SME) suppliers to measure carbon emissions was a theme presented in 2009 and we set out to develop practical tools that can be used by SMEs to calculate their CO₂e emission levels. We have advanced in creating tools for the sector to enable calculation of carbon emissions from travel, with HCM1 now available for all hotels and ICAO Emissions Calculator for Airlines. Soneva has created an Environmental Profit & Loss statement to calculate its results across the value chain. The wider context of the impacts associated with Travel & Tourism's supply chain is where most progress can be demonstrated.

At destinations, suppliers including SMEs, play an increasingly important role in the customer experience. Across WTTC Members' activities, many local procurement initiatives are found which strengthen local economies, reduce emissions associated with transportation of goods, and provide authentic experiences to travellers.

Most WTTC Members now have formidable supplier screening and supply chain engagement programs. Part of this progress has been driven by demand from corporate purchasers and the financial community which includes supply chain evaluation as a common component of ESG disclosure. Travel & Tourism has begun to leverage its influence to support suppliers to tackle climate change. Collectively, Travel & Tourism is taking a stance on issues and influencing the supply chain. For example, many Member companies have stopped serving shark fin, indicative of wider programs of sustainable sourcing of food and beverage items. Many have assessed the supply chain to avoid procuring paper and wood products from sources attributed to deforestation and habitat loss. Innovative partnerships have been forged, for example recycling products into uniforms and other products.

WYNDHAM WORLDWIDE AND UNITED AIRLINES PARTNER TO OFFSET WYNDHAM'S BUSINESS TRAVEL

WTTC Members, Wyndham Worldwide and United Airlines, are an example of collaboration, with Wyndham becoming United's launch partner in its CarbonChoice corporate program to offset emissions from Wyndham's own business travel. Through United's Eco-Skies CarbonChoice program, Wyndham can track its corporate travel and freight emissions.

INNOVATION, CAPITAL INVESTMENT AND INFRASTRUCTURE

Capital investment was our final theme in 2009, and this is perhaps even more central to the discussion today given Travel & Tourism's growth. Similar to ESG reporting being the primary step toward accountability and responsibility now, so were the use of operational environmental management systems and green certifications our focus in 2009. These systems serve as a conduit to identify opportunities to increase efficiency and achieve continuous improvement. The use of these types of systems, certifications, and labels is now commonplace. Environmental Management Systems such as the IATA Environmental Assessment (IEnvA) and ISO 14001 are present in many cruise lines and airlines, reaching into some hotels which are also testing out ISO 50001 for energy management. In addition to these certifications, most WTTC Members have achieved a green certification of some type, with several important initiatives emerging since 2009 including TripAdvisor GreenLeaders, an ISO standard for sustainable event management systems, and common criteria through the accreditation framework of the Global Sustainable Tourism Criteria (GSTC) to harmonise minimum requirements for any green certification or standard in tourism. Through WTTC and other organisations, Travel & Tourism companies have continued to share best practices.

Immense progress has been made in renovating older infrastructure and equipping new projects with solutions for increased energy efficiency. WTTC Members have upgraded millions of light bulbs, installed energy efficient heating and cooling equipment along with various automated technologies, placed scrubbers in output from fuel burning, increased the efficiency of data centres, and improved operational procedures to decrease leakage or wasted energy. Hundreds of best practices to reduce energy usage are now flowing through the sector driving incremental change. Picking the "low-hanging fruit" – as these initiatives are often called because of their proven savings and ease of implementation – served as a fundamental first step in building organisational awareness of the opportunities ahead.

Travel & Tourism is beginning to incorporate larger investments in equipment such as installing commercial batteries and fuel cells as technology improves. Hertz launched its Global EV Initiative adding a green fleet of hybrids and electric vehicles and partnering with destinations and hotels to place charging stations, synergizing the trend of hotels which have begun to place electric vehicle charging stations in guest and employee parking areas. Innovation increasingly involves advances in technology, which not only play a role in more efficient use of fuels and energy, but also travel procedures. IT solutions help reduce waiting times, maximize load capacity, smooth energy demand, and reduce consumption. The optimization brought upon by technology reduces carbon emissions and is helping lessen the strain on our sector's infrastructure.

Renewable energy and low carbon fuels are now the central focus of capital investment to reduce climate change. WTTC Members are aligning with this trend, beginning to work with renewable energy technology and/or biofuels. Most hotel companies have properties within their portfolio that use renewable energy such as solar photovoltaic, geothermal heat pumps, or purchase of Renewable Energy Certificates that support wind or solar power generation. Cruise lines are testing biofuels and engines that run on cleaner LNG⁷, with Costa Cruise lines becoming the first cruise line to equip new ships. Airlines are testing biofuels, GDS systems are powering data centres with renewables, and tour operators are using sustainable transport.

⁷ Liquefied Natural Gas, a lower-emissions alternative to fuel oils

The past decade served to build awareness and understand the relationship of climate change across Travel & Tourism's value chain. The next decade's actions will determine the path for our sector's role in global climate action. The potential for Travel & Tourism is immense, connecting the globe in a future scenario that integrates travellers with the low carbon economy, from its facility and transportation infrastructure, across its value chain and even to attractions and travel experiences.

WTTC TOURISM FOR TOMORROW AWARDS

Tourism for Tomorrow addresses the sustainability challenges posed by the growth of our sector. It is WTTC's vision for tourism which responds to the demands of increasing numbers of consumers in the face of shrinking natural resources and growing carbon emissions; it reflects the needs of employees and destination communities; it looks beyond competitive boundaries to strike new alliances; and it recognises the need to start tackling these challenges now.

The WTTC Tourism for Tomorrow Awards are aimed at recognising best practice in sustainable tourism within the sector globally, based upon the principles of environmentally friendly operations; support for the protection of cultural and natural heritage; and direct benefits to the social and economic well-being of local people and employees in travel destinations around the world. These annual awards are among the highest accolades in the industry and represent the gold standard in sustainable tourism across five categories: Community Award, Destination Award, Environment Award, Innovation Award and People Award.

Many recent award winners and finalists demonstrate the best practices and innovation in tackling climate change:

- Soneva (2015 Winner) establishing the Maldives' largest solar installation and raising US\$5.5 million in carbon mitigation projects through a carbon levy on room revenue, used in their environmental P&L tool.
- Cathay Pacific (2014 Finalist) launching Asia's first airline carbon offset program in 2007, reducing carbon emissions by 31% since 2009, offering amenity kits made of recycled materials, and implementing sustainable procurement efforts.
- Jetwing Vil Uyana (2014 Winner) restoring wetlands and forest habitats which stimulate the return of endemic flora and fauna.
- Bhutan (2013 Finalist) measuring its innovative Gross National Happiness, protecting 60% of its total land area (72% of its land area is forested), and focusing on high value, low impact tourism.
- Air New Zealand (2013 Finalist) implementing myriad efficiency measures to achieve a 15% reduction in fuel efficiency from 2006 through 2011 alone.
- ITC Hotels (2013 Finalist) becoming a carbon-positive company as part of its Responsible Luxury concept.

For more information visit www.wttc.org/tourism-for-tomorrow-awards/

SHAPING THE JOURNEY AHEAD

SHIFT HAPPENS

Sustainable development is heralded as a journey, and it is natural for sustainability within Travel & Tourism is a part of this. In 2009 we set forth an aspirational goal of halving sector carbon emissions by 2035. We are only six years into our journey, and having succeeded with some quick wins and emissions intensity reduction. We now turn our sights toward the longer term vision of what tourism will represent in 2035, and the role Travel & Tourism will play in connecting the planet with a common challenge.

The pace of global change – both in and outside Travel & Tourism – is dizzying and shows no signs of slowing down. Much has evolved and progressed since we put forth our key themes and action items in 2009. The COP21 global climate talks starkly remind us of the true efforts required to sustain our livelihoods on planet Earth. Yet new trends have emerged which we can use to shape our sector's priorities – and quantify our progress – for the coming decade.

We respond to the shifts outlined in this section with priority areas through to 2020. Our ultimate trajectory will be influenced by global climate agreements and the science basis for our sector's reductions. We will further refine the priority areas and targets once the COP21 outcomes are clear.

TOWARD SCIENCE-BASED TARGETS

While common measurement exists within industries on a number of issues, limited research or collaboration has been undertaken to assess Travel & Tourism's collective environmental footprint and shift since 2009. Global travel growth has outpaced overall global economic growth, and new companies continue to enter the sector across the globe. Despite the major strides companies have made to reduce their emissions, Travel & Tourism's footprint has likely increased and the challenge remains to accurately quantify its footprint and achieve significant reductions.

While we laud the successes of our sector in past years in both business growth and efficiency in carbon output, we must turn to the wider discussion at the table of realising carbon reductions that will suffice to sustain our climate. The IPCC has defined the scenario: to avoid catastrophic climate change impacts, global temperatures should not exceed 2°C above pre-industrial temperatures⁸. The efficacy of a global climate agreement and complementary initiatives will be benchmarked against its alignment to this scenario. In advance of COP21, momentum is building as dozens of nations continue to put forth stronger commitments to reducing carbon emissions, including the world's largest emitters, the US and China⁹.

At the 41st G7 Summit held in June of 2015, the G7 leaders agreed to support a global limit of carbon emissions to 2 degrees over pre-industrial levels and raise US\$100 billion in annual climate financing. According to Angela Merkel, Chancellor of Germany, the group agreed to address the need to “decarbonise the global economy in the course of this century.”¹⁰

⁸ Specifically RCP 2.6 to “avoid catastrophic climate change impacts” by “keeping global temperatures to below a 2 degree centigrade based on pre-industrial temperatures”. RCP is an acronym for Representative Concentration Pathways, used in IPCC scenario modeling. Currently, the IPCC projects the world is on course for a global increase of 6°C by the end of the century.

⁹ China has proposed to cut CO₂ emissions per dollar of GDP by 60-65% below 2005 levels by 2030. Even the US, the only major non-signatory to the Kyoto Protocol, has put forth an unconditional target to reduce emissions by at least 26% from 2005 levels. Joint US-China, US-Brazil, and Brazil-China initiatives have demonstrated a commitment to peaking emissions by 2030 and increasing renewables to 20% of their primary energy demand.

¹⁰ See <http://www.theguardian.com/world/2015/jun/08/g7-leaders-agree-phase-out-fossil-fuel-use-end-of-century>

In economic terms the “2° scenario” indicates that globally, CO₂ emissions per dollar of GDP will need to be reduced by 85% by 2050¹¹. Businesses, including Travel & Tourism, will have to align strategies with this “2° scenario”, including actions to respond to the business risks associated with climate change; how they can gain further value from their energy and climate strategies; and how to “walk the talk” set forth in corporate responsibility reports and other disclosure in a more meaningful way. Furthermore, the measurement gap in terms of collectively monitoring progress toward our targets remains a challenge we must address. We also recognise that further progress can only be obtained through collaboration with the wider value chain.

SUSTAINABLE TOURISM DASHBOARD

WTTC is involved in the development of a new global Sustainable Tourism Dashboard.

This will be a dashboard of top-level indicators that measure the impact Travel & Tourism has on both people and the planet beyond just economic indicators. The Dashboard is being prepared by the Universities of Surrey (UK) and Griffith (Australia), with support from WTTC, the World Economic Forum, PATA, Earthcheck, International Tourism Partnership and the World Travel Agents Association Alliance.

Since 2009 many WTTC Members have set intensity-based emissions reduction targets, which some have achieved to-date. Moving forward, we will align these targets with the realities of the scale of efforts needed, and base them on the science of the IPCC Report. The CDP, World Resources Institute, World Wildlife Fund and UN Global Compact have collaborated to form Science-Based Targets, a joint initiative to define standards, provide tools and partner with companies to align with the Fifth Assessment Report. As part of the initiative, a Sectoral Decarbonisation Approach (SDA), based on International Energy Agency (IEA) CO₂ sector scenarios, has been developed to provide companies in specific sectors with a “scientifically-informed method to set GHG reduction targets necessary to stay within a 2°C temperature rise above pre-industrial levels”¹². At the time of publication, more than 50 companies already have pledged to set long-term, science-based climate targets¹³.

LESS ABOUT MEASUREMENT, MORE ABOUT MANAGEMENT

While the science-based target forms an overarching performance indicator for the planet, the focus of quantifying footprints across the Travel & Tourism supply chain is now less about measuring for the sake of it, and placing more effort where climate change drivers are clearly found. Travel & Tourism procures from thousands of suppliers. Prioritising a handful of commonly procured items associated with deforestation can drive transformation and combat climate change. This will be part of a broader approach of strategic initiatives centring on sustainable supply chain management and will include increasing the use of local suppliers, operating under responsible practices, measuring own controlled or owned emissions and requesting the same of their own suppliers, and not procuring materials linked to deforestation or those which are carbon intense.

FROM COMMUNICATION TO COLLABORATION

Our 2009 themes placed a focus on building awareness and capacity to help local communities address issues, and to help customers to make informed choices. While the sector has progressed significantly in communicating its efforts, scepticism of greenwashing is still a risk. Efforts are needed to validate and correct messaging about sustainable choices specific to the traveller (and not just the organisational buyer or corporate customer) and credibly illustrate the collective efforts of Travel & Tourism as a sector. Engaging customers will be central to forging trusted relationships. We will further our efforts and help people to understand how to make informed choices, reduce anxiety of greenwashing, raise the bar of what constitutes a serious practice to combat climate change, make communications more effective, and enhance participation opportunities for responsible travel.

Currently Stakeholder theoryⁱⁱⁱ has taken root in companies, with the best practice for interactions with stakeholders through meaningful engagement and consequent collaboration. Travel & Tourism is moving from building awareness of climate change issues, to engaging in dialogue about the topic across the stakeholder spectrum including peer companies, industry associations, local communities, destination policymakers, investors and shareholders, customers, employees, academia, and its value chain. Many of the solutions coming to market today are a result of collaboration only enabled through stakeholder dialogue, and the next themes are inherently collaborative.

¹¹ See discussion at www.wri.org/blog/2015/07/multi-trillion-dollar-opportunity-better-growth?utm_campaign=wridigest&utm_source=wridigest-2015-07-07&utm_medium=email&utm_content=learnmore

^{12 & 13} For more information see www.sciencebasedtargets.org and <http://www.wemeanbusinesscoalition.org/content/adopt-science-based-emissions-reduction-target>

Finally, the types of communities and forms of engagement are more diverse today. Most of the world now lives in cities, and larger urban communities are centres for action on carbon reduction and engagement to drive sustainable cities.

FROM PROTECTING FORESTS TO VALUING ECOSYSTEM SERVICES AND NATURAL CAPITAL

Stopping deforestation and supporting related initiatives such as REDD+ were part of the global discussions in earlier climate talks, considering forests' contributions to carbon sequestration. Despite these efforts, a sector-wide funding mechanism for deforestation has yet to be developed. Though many of the initiatives are common among WTTC Members, they are not consistent or scaled across the sector. Opportunities exist to co-ordinate the many efforts in place by individual companies which would result in larger gains within communities and drive change globally. An example of this is the ICAO's Market Based Measure (MBM) incorporating carbon offsetting as a solution for carbon-neutral growth by 2020.

Though still part of the equation, forests and other elements of biodiversity are now better understood for their complexity in the planet's ecosystem. Frameworks such as the Millennium Ecosystem Assessment's Ecosystem Services and concept of Natural Capital, are now more integrated into discussions for the wider range of value that the natural environment provides society and business. For continued progress toward reducing climate change through the supply chain, focused efforts will be needed to address the commonly identified commodities associated with deforestation and ecosystem degradation.

Marine health also plays an important role in climate regulation, as do biodiversity and ecosystem health beyond just forest carbon sequestration. Water is also an important topic as climate change risks and water risks are inexorably linked. Water is required to produce energy, and energy is required to produce water. In rural areas, deforestation is at times linked to lack of clean water access, while water issues impact city destinations as 70% of the world's population will live in urban areas by 2050¹⁴. Additionally, the challenging nature of managing the water-energy nexus is exemplified by emerging activities such as water quality from hydraulic fracking, and the energy demands of desalination processes to address water scarcity. Travel & Tourism is continuing to enhance its valuation of ecosystems and understanding of the complex linkages across destinations.

FROM TESTING TO SCALING

Increasing renewable energy use is our sector's primary path for a low carbon future. However, with the exception of airlines testing biofuels, most of the sector's examples of investment in renewable and low carbon energy have been siloed, driven by incentives and external mechanisms, or used as tests with service providers. The installation or purchase of renewable energy across the sector is still anecdotal, scattered, and a small fraction of overall energy usage. Our next steps will be to develop a strategic, scaled effort to deploy capital toward renewables. Travel & Tourism companies can also support initiatives such as the We Mean Business Road to Paris and RE100 commitments to use 100% renewable energy.

There is an opportunity to focus much more capital and fees to support the transition to becoming a low carbon sector. Airlines have called for single Market-Based-Measures and convened on solutions and commitments. Similar initiatives will be required for Travel & Tourism to take a leadership role in helping the transition to a low carbon economy and support its own targets.

FROM CARING TO COPING

Overall, there has been a dramatic shift in corporate uptake of mainstream sustainability and formal climate change governance. Just as reporting has become common and investor audiences more engaged, so have the actual effects of climate change become apparent. Companies have moved the sector beyond PR statements and philanthropy efforts which showed how much they care about the environment and related social issues. Going forward, companies will quantify results on commitments and demonstrate an enhanced focus on how they are coping with climate risks and impacts, including more rigorous disclosure of programs and performance of performance.

¹⁴ UN World Urbanization Prospects, 2012

FIVE PRIORITY AREAS FROM 2015

WTTC Members have demonstrated their commitment and has made real progress toward the actions put forth since 2009. The progress has shown that solutions certainly exist, and we must continue to adapt our business practices to meet the current challenges of climate change today as we progress toward our long-term goal. Collaboration will continue to keep in pace with the global shifts and we will work to scale and catalyse them across the sector. To help bridge that gap and mobilise the sector, we refresh our focus, putting forth five priority areas from 2015 and support our overall target of halving emissions by 2035.

These themes are aimed at this goal of obtaining scale, first through a higher level of commitment and integration into business strategy, and second, which addresses investment, infrastructure, and innovation to stimulate and engage Travel & Tourism's investment community. The next three themes then unfold actions among other key stakeholders: destinations, travellers, and the wider value chain. With WTTC serving as a forum for collaboration, we outline these five themes in the next section.

1. INTEGRATING CLIMATE CHANGE AND RELATED ISSUES INTO BUSINESS STRATEGY

We will embed climate change at the highest levels of corporate governance and executive leadership, integrate disclosure with financial reporting, and set meaningful targets that contribute to the scientific reality of the challenge.

2. SUPPORTING THE GLOBAL TRANSITION TO A LOW CARBON ECONOMY

We will enact a strategic approach toward climate change to direct investment, innovation, and collaboration toward the highest priorities of GHG emissions, and work towards decoupling Travel & Tourism's growth from carbon emission output.

3. STRENGTHENING LOCAL RESILIENCE

We recognise the value local natural and cultural heritage has for Travel & Tourism and will enhance the assessment and partnerships of local operations to build resilience against climate risks and reduce local drivers of climate change.

4. PROMOTING THE VALUE OF RESPONSIBLE TRAVEL

We will transform the awareness of climate change into action, participation, and collaboration among travellers, including the infusion of climate action into travel experiences.

5. ENGAGING ACROSS THE VALUE CHAIN

We will optimise the full value of Travel & Tourism's value chain to identify and catalyse solutions while proactively engaging its wider reach.

Across all our themes, we now know that engagement and collaboration within the sector and with its key stakeholder groups are paramount. Holistic strategies will be developed both sector-wide and locally, inclusive of key stakeholders. Partnerships will be forged, and this will only be strengthened and catalysed by global and country agreements to stimulate the actions.

PRIORITY AREA 1

INTEGRATING CLIMATE CHANGE AND RELATED ISSUES INTO BUSINESS STRATEGY

Climate risks now are acknowledged at the highest levels of government and business as well as throughout society. We support efforts to assess the physical, regulatory, and market risks associated with climate change and its impacts to further equate emissions reductions efforts with associated risks. Through business model integration, increased governance, the deployment of best practices and making bold commitments, Travel & Tourism companies are able to play a meaningful role.

EMBEDDING CLIMATE CHANGE IN CORPORATE REPORTING

As a primary step to addressing climate change in business decisions, we will continue the momentum of disclosing climate change issues in mainstream financial reporting, utilising recognised frameworks¹⁵ and collaborating to harmonise the approach for disclosure within our industries. Many Travel & Tourism companies already disclose material risks in financial reports. We will spread and enhance these types of disclosures in a broader context of drivers and solutions.

COMMITTING AT THE EXECUTIVE AND BOARD LEVELS

Commitments stem from strong governance and executive leadership. Companies are engaging CEOs and Boards of Directors on climate change, and we support the enhancement of this engagement to involve boards in overseeing climate change strategy, weighing the economic risks posed, and linking top level executive performance with managing climate risks.

SETTING SCIENCE-BASED TARGETS

We understand the reality of emissions reductions needed. To tackle the true challenge of climate change, future corporate targets will need to align to the science of the IPCC and its 2°C scenario and seek absolute reductions. WTTC Members have begun this process by measuring annual carbon emissions, obtaining a credible baseline and a setting a short-term, intensity-based reduction target based on output. While we are only a few years into our bold target set in 2009, we now transition to our long-term vision, which will begin with leadership from CEO and Boards of Directors to drive change within organisations and reduce emissions beyond improved efficiency of electricity grids and operating equipment. We will reassess our original target of halving emissions by 2035 based on the results of COP21.

Regardless of the specific figures carried forth, achieving long-term targets will require more innovative solutions, a shift to renewable energy and low carbon technologies. Furthermore, targets and commitments undertaken across Travel & Tourism's value chain will be analysed for their cumulative effects globally and locally.

THE ROAD TO PARIS INITIATIVE

A movement beyond a broad or general commitment to reducing emissions, towards specific and target commitments will serve as an accelerator to support the integrated of climate change into business models. As an example, in the collaboration with the CDP, We Mean Business has launched the Road to Paris initiative¹⁵, inviting companies to commit to at least one of the six commitments, which include:

1. Adopt a science-based emissions reduction target
2. Have a strategy in place to procure 100% of electricity from renewable sources
3. Remove commodity-driven deforestation from all supply chains
4. Report climate change information in mainstream reports as a fiduciary duty
5. Have responsible corporate engagement in climate policy
6. Put a price on carbon

Travel & Tourism companies can support this commitment and increase the sector's representation.

¹⁵ <https://www.cdp.net/roadtoparis>

PRIORITY AREA 2

SUPPORTING THE GLOBAL TRANSITION TO A LOW CARBON ECONOMY

With the 2°C science-based target translating to an 85% reduction in CO₂ per dollar of global GDP, we will face the challenge ahead of decoupling the immense forecasted growth in Travel & Tourism from an increase in carbon emissions.

We will seek to achieve carbon-neutral growth. Global agreements and national commitments can serve as a tailwind for Travel & Tourism to become a low carbon sector in the coming decades. We will encourage the shift in Travel & Tourism investment, innovation, and infrastructure toward the end goal of a low carbon economy. Innovative approaches to capital investment are needed, including companies establishing an internal price of carbon, seeking out low carbon financial instruments and incentives, and catalysing innovation to create a virtuous cycle of advancement. Several initiatives and thought leaders are undertaking efforts to develop pathways to this transition¹⁶.

INTERNALLY PRICING CARBON

Travel & Tourism companies will join in the leading practice of establishing an internal price of carbon, whereby a company reflects the financial value of a company's carbon emissions. That value is then used internally to fund low carbon projects. Outside Travel & Tourism, several leading companies are establishing internal carbon pricing, which often includes emissions from their business travel. We will take a proactive role in businesses applying an internal price of carbon for travel.

Companies that have set an internal price of carbon have seen tremendous results, not only for the returns but also but also encouraging behavioural change, increasing efficiency and stimulating innovation within organisations¹⁶.

FOCUSING ON RENEWABLES FOR NEW INVESTMENTS

The past decade's massive application of solutions to renovate and retrofit hotels, cruise ships, aeroplanes, vehicles, airports, and related industry facilities has been a large driver of Travel & Tourism's carbon emissions reduction. While refurbishments should continue to accelerate with low carbon solutions, the task ahead is to ensure that newer inventory does not need the same type of efficiency upgrading. The investment pipeline needed to fuel the projected growth over the coming two decades represents the largest opportunity to construct a low carbon sector. Once heavy investments in equipment and transportation have been made, they will reflect the sector's footprint for decades. We will warrant that what is purchased, developed and built today becomes Travel & Tourism's lower carbon footprint of 2035.

SUSTAINABLE AVIATION FUEL USERS GROUP (SAFUG)

In 2008 aviation leaders established the SAFUG to advance the use of biofuels, collaborating with governments, suppliers, and academia to accelerate the viability of biofuels. The group supports the development and certification of sustainable aviation fuel.

Led by a coalition of three dozen industry leaders including WTTC Members British Airways, Etihad Airways, TUI Group, and United Airlines, the group has made significant advancements in recent years with flights using biofuels. See www.safug.org/recent-activity/ for an interactive map of successes.

SEEKING LOW CARBON FINANCING MECHANISMS

We will seek innovative ways to spur investment. Many companies are already working with incentives and rebates for energy efficiency and renewables, and embedding fees in guest pricing to fund renewable energy and carbon offset projects. Further developments such as "green bonds"¹⁷ – instruments set up specifically to fund projects that have positive environmental and/or climate benefits such as renewable energy, building energy efficiency, sustainable waste management, sustainable forestry and agriculture, biodiversity conservation, clean transportation and clean water projects – are being developed and will be championed.

CONTRIBUTING TO LOCAL ECONOMIES WITH CARBON MITIGATION

For Travel & Tourism, carbon mitigation efforts have the unique potential to strengthen low carbon economies within destinations, since many of the projects supported will also help protect natural and cultural heritage. A low carbon economy should build awareness of the role natural and cultural heritage play in reducing carbon emissions, while strengthening local economies that rely heavily on Travel & Tourism. We will continue to seek opportunities to mitigate carbon emissions through offsetting and other similar programs where the beneficiaries of these funds will support sustainable tourism. We will offer and embed funding mechanisms to bridge companies, travellers, suppliers, and destinations through carbon mitigation.

CATALYSING ECONOMIES OF SCALE

Travel & Tourism has progressed toward implementing solutions to reduce energy, water, and waste once they become commercially viable. In many island nations and remote areas for example, renewable energy solutions such as solar photovoltaics are now more cost-effective than grid electricity, and companies are transitioning facilities to onsite power generation. Dozens of smaller solutions are now proven to reduce energy and in turn GHG emissions, for example LED lighting, sensors, variable frequency drives, optimised propulsion systems, and efficient engines as well as heating and cooling systems. This transition from increased costs to generating savings generally occurs as the providers of solutions are able to scale up and prove reliable. Travel & Tourism will work to collaborate proactively to identify the range of solutions and then commit from the onset to drive the cost down and catalyse the financial viability of the solution.

AVIATION'S 2020 CARBON-NEUTRAL GROWTH

The international aviation industry has committed to a sector-wide approach for limiting emissions and achieving carbon-neutral growth by 2020 (CNG2020), revolving around a four-pillar strategy: operational measures, technological advances, infrastructure improvements, and a global Market-Based Measure (MBM).

The MBM will enable carbon trading and carbon offsetting across aviation globally, streamline and bring scale to carbon reduction efforts, and establish aviation as a leader in collectively addressing climate change. ICAO is working through the technical and political aspects by its next Assembly in 2016 to begin the MBM by 2020.

Other opportunities exist to catalyse scale in specific sectors as well as across Travel & Tourism's value chain. The size of Travel & Tourism's contribution to GDP in popular destinations also can bring scale locally. If, for example, in certain destinations all hotels committed to installing solar PV or procuring wind energy from a central location, or rental cars committed to electric vehicle offerings, Travel & Tourism could collectively drive the cost down and build infrastructure through scale. If in emerging destinations all tourism businesses committed to sending food scraps to be composted as opposed to open municipal landfills, they could provide the backing to make composting viable and reduce methane emissions from waste.

10 ACTIONS TOWARD THE LOW CARBON ECONOMY OF THE FUTURE

The Global Commission on the Economy and Climate – an initiative of former government, economic, and business leaders to analyse and communicate climate change costs and benefits – has put forth the 10 action areas that can support this path toward the low carbon economy of the future:

1. Accelerate low carbon development in the world's cities
2. Restore and protect agricultural and forest landscapes and increase agricultural productivity
3. Invest at least US\$1 trillion a year in clean energy
4. Raise energy efficiency standards to the global best
5. Implement effective carbon pricing
6. Ensure new infrastructure is climate-smart
7. Galvanise low carbon innovation
8. Drive low carbon growth through business and investor action
9. Raise ambition to reduce international aviation and maritime emissions
10. Phase down the use of hydrofluorocarbons (HFCs)⁶

PRIORITY AREA 3

STRENGTHENING LOCAL RESILIENCE

We will strengthen the resilience^{viii} of destinations and local communities to adapt to climate change and its effects, which inherently involves protecting the unique natural and cultural heritage that visitors seek.

Strengthening local ecosystems by protecting and rehabilitating natural areas such as forests, riverbanks, and mangroves reduces pollution and builds resilience, especially weighing the increasing importance of the carbon-water nexus. Buildings and heritage sites need to be resilient to withstand temperature fluctuations, severe storms, erosion, and sea level rises. We support deploying solutions at the local level to increase resilience and foster meaningful partnerships to support and help protect destinations from climate change impacts.

VALUING BIODIVERSITY AND ECOSYSTEM SERVICES

At the local level, climate change poses risks to biodiversity and the ability to provide ecosystem services: the benefits people obtain from ecosystems^x. For Travel & Tourism, deforestation and marine ecosystem degradation are business risks, since tourism's appreciation of natural and cultural heritage itself is considered an ecosystem service. Reducing deforestation and protecting the Blue Carbon¹⁷ of marine ecosystems not only support carbon reductions, but also preserve the natural heritage valued by travellers. We will increase the initiatives and mechanisms to protect forests and marine areas through appropriate assessment, support to conservation funding, and local community engagement. To help strengthen local resilience from climate change risks, many companies are already developing local strategies based on where the greatest risks and threats to biodiversity exist^x. We will coordinate dialogue to identify how investment can be prioritised based on assessments, and risk management can be strengthened in itinerary planning.

Deforestation continues to be an important climate change topic for its important role across ecosystem services. Globally, forests absorb and store carbon in their trees and soil and when cleared or disturbed, this carbon is released into the atmosphere. It is estimated that nearly 20% of all global greenhouse gas emissions result from deforestation and forest degradation¹⁸. The costs are significant, considering that according to the UN Principles for Responsible Investment, over the past 50 years 60% of the world's ecosystem services have been degraded with costs estimated at \$ 2-5 trillion annually from deforestation alone.

SUPPORTING DISASTER RELIEF

Climate change effects have demonstrated increased weather-related disasters and disruption, which can be devastating to local economies and heritage. As the number of climate-related natural disasters increase, our role in disaster relief is growing as Travel & Tourism businesses provide shelter, transport supplies, rally support and drive relief funding, and rebuild with resilience. Many companies already incorporate disaster relief as a pillar of social responsibility initiatives. We will further integrate disaster assessment with Emergency Response, Business Continuity and Disaster Recovery Plans. Operating on the ground, we can collaborate to enhance the capacity of local stakeholders to manage disasters, expedite the rehabilitation of destinations post-disaster, and support resilience enhancement needs in disaster prone areas.

FORGING PARTNERSHIPS

Each destination has a unique, varied and complex set of stakeholders, which includes local and regional governments, local non-governmental organisations and local businesses. Yet we all share the common challenge of addressing climate change. In the past decade, much effort was made to develop awareness and understanding the relationship of climate change across Travel & Tourism's value chain and its local partners. We are building upon this awareness of issues and implications, toward awareness of solutions and committing to working toward them. We will seek to incorporate carbon mitigation programs that also benefit local communities and catalyse change, and pursue coordinated efforts across Travel & Tourism businesses to and within destinations to help scale initiatives to enhance resilience.

⁶ <http://2015.newclimateeconomy.report/>

¹⁷ Blue Carbon is the term for the CO₂ that living organisms capture and store in oceans and coastal areas. For more information see www.thebluecarboninitiative.org

¹⁸ http://www.wwf.org.uk/what_we_do/forests/deforestation_and_climate_change/

PRIORITY AREA 4

PROMOTING THE VALUE OF RESPONSIBLE TRAVEL

In Travel & Tourism, the traveller plays a unique role as their decisions and behaviours can influence our collective carbon footprint.

At the same time, travellers are increasingly educated, adept, empowered and connected, seeking authentic experiences and exhibiting more concern for environmental and social issues. Travellers' can more easily equate their activities with their contribution to climate change, and we can encourage them to make responsible choices to reduce impacts and in turn our sector's footprint. With billions of travellers each year, Travel & Tourism truly has the opportunity to connect climate change action to consumers and society through our value chain. We will welcome the millions of new travellers from emerging markets and younger generations by giving them the tools to be responsible travellers, encourage participation in our initiatives, and offer new experiences tied directly to low carbon solutions. We will extend these tools to our business travellers who play an integral role in increasing ESG information from Travel & Tourism companies.

INCREASING TRAVELLER PARTICIPATION

Many travellers proactively contribute to reducing their environmental footprint. Guests participate in hotel linen and towel reuse programs all over the world. They are often given the option of offsetting their carbon emissions; they can choose local, organic, and/or vegetarian menu options; they may volunteer their time and energy to help protect and restore habitats. Several visitation programs help fund protected areas and species. And travellers can make philanthropic contributions to local programs in their host destination.

We will continue this trend to catalyse the offering of new engagement efforts. First, by increasing the offering of services – including excursions and itineraries themselves – which are themed to sustainable tourism and demonstrate its best practices. Second, by increasing awareness of programs of the wider destination and region visited. Third, by increasing the reward and incentives for travellers to make sustainable choices. This is already happening with guests being given financial incentives for declining housekeeping service, or planting trees in return for reusing towels. Fourth, by engaging customers for input and feedback to identify their own ideas or requests to participate in climate reduction opportunities. Finally, by bringing scale to select initiatives to reduce carbon emissions.

DEMONSTRATING THE POSITIVE IMPACTS

Travel & Tourism can stimulate demand for better approaches and low carbon experiences, collaborating on solutions and stimulating a positive element of competition for companies seeking to be recognised as leaders and innovators.

While greenwashing continues to be a threat, in many cases Travel & Tourism businesses and distribution channels can improve communications regarding the attributes of the traveller's experience. Though several hotels chains use or purchase renewable energy, have installed efficient systems, or donate leftover amenities, often the traveller is still unaware of the efforts going on 'behind the scenes'. Travellers can be shown how their visits contribute to the efforts already being made by the destination or by the company. We will coalesce communication efforts to improve messaging about climate change and travel. We can link the local benefits brought to destinations through voluntary carbon offsetting programs and heritage entrance fees.

Where Travel & Tourism is contributing to local resilience, heritage preservation, and low carbon solutions, we will communicate this better to help travellers connect the dots of how climate change action is interrelated. Finally, destinations themselves that have become leaders in planning for the low carbon economy will incorporate the solutions as attractions and components of the visitor experience. Reaching billions of travellers, Travel & Tourism can demonstrate the globe's transition toward decarbonisation and further encourage traveller participation.

PRIORITY AREA 5

ENGAGING ACROSS THE VALUE CHAIN

Travel & Tourism has an immense value chain when considering the breadth of businesses involved in a traveller's experience and our reach to every part of the globe.

Travel involves transportation to and within a destination, accommodation, and experiences such as attractions, activities, and events, all of which have their own respective supply chains. The potential for experiences is unbounded, including the breadth of culinary experiences as travellers inevitably consume food and beverage, and the range of shopping and retail offered to travellers. Likewise the distribution channels of seeking, purchasing and reviewing travel options are constantly expanding. The airports and rail stations, infrastructure, and multitude of support services involved throughout the trip have immense reach within a destination. Collectively, the entities involved in generating value for a traveller represent a formidable web for engagement to tackle climate change.

Destinations play an increasingly important role in the goods and services they provide. We now understand and can focus efforts on the biggest opportunities found across the entire value chain to reduce carbon emissions from deforestation. Furthermore, Travel & Tourism is in a unique position to build consumer awareness of the world's key supply chain threats by engaging travellers to link the destinations they visit with the issues back home in their own purchasing decisions as consumers and professionals.

ADDRESSING DEFORESTATION IN THE VALUE CHAIN

We will leverage our collective buying power and taking a stance on key commodities which threaten deforestation: (1) palm oil, (2) soy, (3) biofuels, (4) timber, and (5) beef and leather from cattle¹⁹. Commitments can go beyond just procurement and extend to informing travellers. We will integrate experiences to make connections so travellers visiting rainforests recognise the threats from specific products if not sustainably managed. Offsetting investments can be targeted towards accredited forest protection programmes that fund conservation, such as the United Nations' REDD+ initiative.

SCREENING AND ENGAGING SUPPLIERS

By implementing sector-wide the best practice of developing supplier screening mechanisms with procurement guidelines and requiring suppliers to disclose their approaches to climate change (including their own suppliers), Travel & Tourism can help accelerate global climate action. Several initiatives are in place within many suppliers' respective industries to help standardise their approaches and measurement. When suppliers are SMEs, existing resources can be utilised to fit scale, and can be the most basic of questionnaires. In supporting these initiatives further collaboration opportunities can be identified to develop low carbon solutions. We will seek to catalyse the innovative partnerships that have emerged, providing the platform for working on solutions collaboratively.

CHAMPIONING LOCAL PROCUREMENT

The advent of local procurement as a solution to tackling climate change and enhancement of traveller experience is a golden opportunity for Travel & Tourism to demonstrate its leadership. Many companies have local procurement initiatives. Convening around local procurement opportunities, seeking efficiency gains from currently disjointed programs in common destinations, increasing traveller awareness, and helping develop local economies are part of Travel & Tourism's opportunity we will explore to build economic resilience for local communities.

INCORPORATING DISRUPTIVE INNOVATION: THE DESTINATION AS THE SERVICE PROVIDER

The advent of the sharing economy is itself a key shift in Travel & Tourism's value chain. Homestays, local resident accommodation rental, co-working and shared space rental, ridesharing and crowd-sourced transportation options within a destination have emerged as major players in recent years. While these services have been disruptive to the traditional value chain, they are evolving and becoming integrated as a part of Travel & Tourism, and most notably for representing local economies. These connect host and guest as local residents become service providers to travellers, and enhance opportunities for authentic experiences. We will approach the opportunities the sharing economy brings as solutions for reducing carbon emissions while supporting capacity for the forecasted growth of our sector.

¹⁹ <https://www.cdp.net/en-US/Programmes/Pages/forests.aspx>

APPENDIX: FURTHER DISCUSSION AND RESOURCES

ⁱThe IPCC has defined a scenario entitled RCP 2.6 to “avoid catastrophic climate change impacts” by “keeping global temperatures to below a 2 degree centigrade based on pre-industrial temperatures”. It is likely that the efficacy of any agreement reached in Paris will be benchmarked against its alignment to RCP 2.6, which would limit further global temperature rise to less than 2 degree Celsius from pre-industrial levels. Currently, the IPCC projects the world is on course for a global increase of 6 degree Celsius by the end of the century. RCP is an acronym for Representative Concentration Pathways, used in IPCC scenario modeling.

ⁱⁱFor examples of consumer preference see:

- [LA Times Article on Hotels Going Green](#)
- [Neilson's Doing Well by Doing Good Report 2014](#)
- [Cone Communications/Echo 203 Global CSR Study](#)
- [Interview with Hilton Worldwide](#)
- [UL Under the Lens: Claiming Green](#)
- [Center for Responsible Travel Trends & Statistics 2015: The Case for Responsible Travel](#)
- [Agoda Earth Day Survey](#)

ⁱⁱⁱStakeholder theory involves an approach to business that companies have various stakeholders with whom influential relationships exist, and managing these relationships well enables better performance and long-term viability. For further reference see Strategic Management: A Stakeholder Approach by R. Edward Freeman and The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications by Thomas Donaldson and Lee Preston.

^{iv}Entities such as the International Integrated Reporting Committee (IIRC) and Climate Disclosure Standards Board have put forth frameworks to embed climate change and other ESG issues into mainstream reporting. The GRI as well as dozens of national- and regional-level market regulators progressing toward ESG reporting also help drive this transition. For further guidance on ESG reporting frameworks, country mandates, and general trends, see the WTTC's ESG Reporting in Travel & Tourism: Trends, Outlook and Guidance.

^vFor examples see WBCSD Vision 2050 - www.wbcsd.org/vision2050.aspx, action 2020 business solutions - <http://action2020.org/business-solutions> and the Sector Decarbonisation Approach with the International Energy Agency Sector Scenarios in **Energy Technology Perspectives Report**, CDP, WRI and WWF's **Mind the Science, Mind the Gap Initiative for Corporate Target Setting**. As part of the Science-Based Targets initiative, a Sector Decarbonisation Approach (SDA), based on International Energy Agency (IEA) CO₂ sector scenarios, has been developed to provide companies with a “scientifically-informed method to set GHG reduction targets necessary to stay within a 2°C temperature rise above pre-industrial levels”. The SDA methodology considers several factors, which include a company's activities, sector, growth rates and desired time-period for the target.

^{vi}Microsoft's program, in particular, is an oft-cited example of successful implementation of an internal price of carbon. See “How putting a price on carbon saved Microsoft \$10 million a year”, <http://www.greenbiz.com/article/how-microsofts-internal-price-carbon-saved-it-10-million-year>. Microsoft's internal price of carbon was established in 2012, when the company decided to adopt a carbon neutral strategy for its global operations and company air travel. As part of the program, individual Microsoft departments added a budget line item reflecting the financial value of their emissions, which are then allocated to new capital for sustainability initiatives with the company's carbon investment fund. The carbon investment fund is used to fund green energy procurement, carbon offsets, building retrofits and other low carbon investments. To put a more finite price on the funding required for new sustainability initiatives, Microsoft convened a cross-departmental Carbon Neutral Council. The group was tasked with identifying potential projects including renewable energy, e-waste, recycling, renewable energy, energy-saving technologies and carbon offset community projects; and then determining how much those efforts would cost. Recognising “hidden costs” associated with carbon was also cited as a catalyst for identified new areas for efficiencies and process improvements.

In the first three years of its program, Microsoft has saved \$10 million in annual energy costs, reduced CO₂e emissions reductions by 7.5 million metric tons, and added billion kilowatt-hours in new renewable energy investments. As of 2014, Microsoft priced carbon at \$6-7 per metric ton; however, internal prices of carbon used by companies vary across industries and geographies. For example, the National Grid in the United Kingdom used an internal price of carbon of approximately \$90 per metric ton.

^{vii}Green bonds provide myriad benefits to lenders and investors; the market for green bonds tripled in 2014 to an estimated at \$36 billion, yet the broader market potential is estimated at more than \$500 billion. <http://www.worldbank.org/en/topic/climatechange/brief/green-bonds-climate-finance>, <https://www.climatebonds.net/files/post/files/cb-hsbc-15july2014-a3-final.pdf>

^{viii}The IPCC Fifth Assessment Report defines resilience as the “capacity of social, economic, and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganising in ways that maintain their essential function, identity, and structure, while also maintaining the capacity for adaptation, learning, and transformation. For further discussion see IPCC: Climate Change 2014: Impacts, Adaptation and Vulnerability: http://www.ipcc-wg2.gov/AR5/images/uploads/WG2AR5_SPM_FINAL.pdf.

^{ix}The **Economics of Ecosystems and Biodiversity (TEEB)** initiative – commissioned in 2007 by environment ministers from the G8+5 and presented to the Convention on Biological Diversity– defines ecosystem services across the following categories: Provisioning Services, Regulating Services, Habitat or Supporting Services, and Cultural Services, which includes the benefits from viewing natural and cultural heritage. Building upon the work of TEEB, the **Natural Capital Coalition** was founded to bring together global stakeholders to study and standardise methods for “natural capital accounting” and developing the Natural Capital Protocol to enable its valuation and reporting in business.

^xLocalised risk assessments provide the opportunity to prioritise where to focus and efficiently allocate their time and resources to achieve the greatest impacts. Region-based research, such as those set forth from the IPCC and **Climate and Development Knowledge Network**, can serve as useful resource. Additionally, tools, such as the **WRI Aqueduct Tool** and **WWF-DEG Water Risk Filter**, have been developed to help companies identify which specific locations of operations have the greatest risks with regard to flooding, biodiversity, water quality, water scarcity and other climate change-related factors.



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Throughout this report, Hindu-Arabic numerals refer to page notes and Roman numerals to notes in the appendix.

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WORLD TRAVEL & TOURISM COUNCIL (WTTTC), THE HARLEQUIN BUILDING, 65 Southwark Street, London SE1 0HR, United Kingdom
Tel: +44 (0) 207 481 8007 | Fax: +44 (0) 207 488 1008 | Email: enquiries@wttc.org | www.wttc.org