

S Y S T E M I Q

In Partnership with the
Sustainable Tourism Global Centre

BETTER TRAVEL & TOURISM, BETTER WORLD



November 2022

EXECUTIVE SUMMARY

PREFACES



H.E. FELIPE CALDERÓN, HONORARY CHAIRMAN, GLOBAL COMMISSION ON THE ECONOMY & CLIMATE, FORMER PRESIDENT OF MEXICO (2006-2012)

I have long been convinced of the role that travel and tourism plays in sustainable economic development and in helping us tackle some of the greatest global challenges we face this century. As the former President of Mexico, a country where tourism is an engine of economic growth and has enabled many of our conservation efforts, I have seen first-hand the benefits for people and nature that it can bring.

With COVID-19 travel restrictions eased or easing around the globe, much of the industry is focussed on returning to business-as-usual. This is understandable, and indeed T&T has contributed to post-covid recovery in many places. But the pandemic and its economic consequences are not the only crises affecting our societies nowadays. 2022 has seen very severe weather-related disasters around the globe, underlying the fact that climate change is intensifying, compounded by a crisis of biodiversity loss. If T&T is to continue to deliver benefits to societies around the world and maintain its licence to operate, business-as-usual is not a possibility. The sector must become a part of the solution.

It is not just about mitigating risk – facing these challenges also poses a hugely exciting opportunity to transform T&T for the better. Better Travel & Tourism, Better World, a report commissioned by the Sustainable Tourism Global Center in partnership with Systemiq, shows us that we should harness the full potential of T&T for abating carbon emissions, protecting nature and boosting resilience. It provides a data driven, action oriented and systemic view on how to unlock that potential. It is an invaluable resource for decisionmakers and an opportunity that should not be missed.



PAUL POLMAN, BUSINESS LEADER, CAMPAIGNER AND CO-AUTHOR OF NET POSITIVE

Imagine a thriving and productive travel & tourism industry, widely seen as a force for good around the world. An industry that has comeback from COVID-19 stronger and more resilient, boosting global growth and creating millions of good jobs, as it connects people around the world. All while helping tackle climate change and restore nature.

With enough courage and collaboration this future is within reach. But time is not on our side and, without serious and concerted action to transform the sector, there is a risk it will head in the opposite direction.

The choice is stark: a travel & tourism industry which thrives by giving more than it takes and therefore maintains its licence to operate, or one which risks both its reputation and revenues on narrow, short-term interests and failed business models of the past. While there will always be laggards and opportunists, many in the industry are committed to transforming and future-proofing their businesses in our volatile and fast-changing world. This report offers a new and thrilling vision for the sector that we can all unite behind, as well as a plan to achieve it. It is undoubtedly a big lift, demanding action at every level, global, national and local, with unprecedented leadership from the industry and unseen partnership between companies, and with government and civil society too. But if not now, when? And who better to lead the change than the industry itself? We are at a crossroads and it's time for the sector to choose. We choose better travel, better world, and there is no time to waste.



BRUNE POIRSON, CHIEF SUSTAINABILITY OFFICER, ACCOR

The hospitality sector, and the travel & tourism industry more broadly, have a key role to play in transforming society for a more sustainable future. The choices we make in the hospitality sector have the potential to influence actors within the travel & tourism value chain and beyond: from construction and real estate, to agriculture, food and beverage and entertainment, and all the way to the traveller, inspiring them to consider how to navigate environmental and societal challenges.

To unlock this potential, we need to rethink how we operate and collaborate. The future of hospitality is one that goes far beyond the four walls of a hotel, but has strong connections to the local community and surrounding environment delivers positive economic, social, environmental and cultural impacts. We are already taking steps to make this a reality at Accor, and are excited to see progress being made elsewhere in the sector. To scale this progress industry-wide, we need a shared vision, and creativity and ambition to make it happen. We also need to work together in ways we have not done before.

The Better Travel & Tourism, Better World report is a tremendous step in that direction, providing a North Star vision for the industry and the actions we need to take to get there. The emphasis on collective action is particularly crucial. It is an exciting agenda that can unlock travel & tourism's potential to be a true force for good.

ABOUT THIS REPORT

The Better Travel & Tourism, Better World Report was produced by Systemiq in partnership with the Sustainable Tourism Global Centre, and in consultation with members of the travel and tourism (T&T) industry to explore how travel and tourism could accelerate its transition to a net-zero, nature and community-positive future. The work received invaluable, extensive inputs from individual industry players as well as from industry aggregators, allowing Systemiq to develop an independent vision, objective fact-base and prioritised action plan for the industry. The Better Travel & Tourism, Better World report is part of a series of system transformation reports produced by Systemiq, including Better Business, Better World and Better Finance, Better Built Environment.

AUTHORS

The team that developed this report comprised: Jeremy Oppenheim, Sophie Herrmann, Veerle Haagh, Alexandra Philips, Oscar Ibsen, Julia Turner, Arthur Neeteson, Katy Brennan and Pippi Durie.

We would like to thank the following individuals for their input and expertise: Thressia Adriati, Aditi Ramdorai, Maximilian Held, Elisa Dierickx, Eva Smaga, Aditya Prasad, Moritz de Chaisemartin, Jennifer Ring, Isha Patel, Scarlett Benson, Douglas Flynn, Katherine Stodulka, Maximilian Bucher, Elinor Newman Beckett, Clara Luckner, Aparajit Pandey, Timon Rückel, Hugo Liabeuf, Alex Andreoli, Laura Koerselman, Julia Okatz, Astrid de Reuver, Linda van der Waart, and Raissa Pimentel Brunhara.

ACKNOWLEDGEMENTS

The report team is deeply grateful to a number of individuals who have generously contributed their time and expertise to the report. We wish to thank the following people: Tiffany Misrahi, H.E. Gloria Guevara, H.E. Ahmad Arab, Sarah Jukes (Sustainable Tourism Global Centre); H.E. Felipe Calderón (Former President of Mexico); Dr Ya-Yen Sun (The University of Queensland); Libby Owen Edmunds (independent tourism specialist), Christopher Imbsen, Virginia Messina (World Travel & Tourism Council); Sally Davey (Travalyst); Inge Huijbrechts (Radisson Hotel Group); Brune Poirson (Accor); Kate Knowles (IHG Hotels & Resorts); Darrell Wade (Intrepid Group); Alix Farr (Skyscanner); Shana Fatina (President Director at Labuan Bajo Flores Tourism Authority); Isabel Hill (Former Director of the United States National Travel & Tourism Office); Mario Hardy (former CEO Pacific Asian Travel Association); Adolfo Favieres (Occidental Hotels); Ambassador Dho (UN SDGS Advocates Alumni Chair; Special Advisor of the SDGs Center for Africa; Special Advisor to PATA); Christoph Wolff (Former Head of Mobility, World Economic Forum); Ramon Sanchez (Harvard University); Donald Hawkins (George Washington University); Geoffrey Lipman (SUNxMalta); Felicity Wade, Stephanie Hedt, Tom Owen Edmunds (World Resources Institute); Rob Grave, Rikesh Patel (Conservation International); Gloria Fluxa (Iberostar Group); Wolfgang Neumann, Glenn Mandziuk (Sustainable Hospitality Alliance); Lindsey Walters (Nianova); Professor Xavier Font (University of Surrey); Harry Theoharis (Former Minister of Tourism for Greece).

Contributors and their respective organisations do not necessarily endorse all findings or recommendations of the report.

The authors would like to thank Gina Campbell for editing the report and Lauren Bloom for designing and producing the report. All remaining errors and omissions are the responsibility of the authors.

ABOUT SYSTEMIQ

Systemiq, the system-change company, was founded in 2016 to drive the achievement of the Sustainable Development Goals and the Paris Agreement, by transforming markets and business models in five key systems: nature and food, materials and circularity, energy, urban areas, and sustainable finance. A certified B Corp, Systemiq combines strategic advisory with high-impact, on-the-ground work, and partners with business, finance, policy-makers and civil society to deliver system change. Systemiq has offices in Brazil, France, Germany, Indonesia, the Netherlands and the UK.

ABOUT THE SUSTAINABLE TOURISM GLOBAL CENTRE

The Sustainable Tourism Global Center (STGC) is the world's first multi-country, multi-stakeholder global coalition that will lead, accelerate, and track the tourism industry's transition to net-zero emissions, as well as drive action to protect nature and support communities. It will enable the transition while delivering knowledge, tools, financing mechanisms and innovation stimulation into the tourism sector.

The STGC was announced by His Royal Highness the Crown Prince Mohammed Bin Salman during the Saudi Green Initiative in October 2021 in Riyadh, Saudi Arabia. His Excellency Ahmed Al Khateeb, Minister of Tourism for Saudi Arabia then led a panel discussion during COP26 (November 2021) in Glasgow, United Kingdom, to elaborate on how the Center will deliver on its mandate with founding country representatives and experts from partner international organizations.

ENDORSEMENTS

"Over a decade, I have seen how impactful sustainable tourism can be on multiple levels. With a holistic ecosystem approach, low footprint ecotourism can be a catalyst of sustainable development. It integrates conservation and restoration efforts, with the installation of sustainable renewable, waste and water infrastructure, often for the benefit of local communities. It dramatically enhances the livelihoods and living conditions of these communities, while educating travellers and local populations about the importance of biodiversity and the use of best practices to protect flora and fauna. This report highlights this potential for positive impact, which will help to put T&T higher up on the agenda for key decisionmakers as an engine of economic growth and an accelerating force for solving the world's greatest challenges today. "

- **Craig Cogut**, CEO, Pegasus Capital Advisors

"Aviation is one of the world's highest emitting and hardest to abate industries, but solutions exist to reduce emissions before 2030 and reach net-zero by mid-century. The travel and tourism sector has a crucial role to play to incentivise the aviation industry to rapidly deploy Sustainable Aviation Fuels."

- **Faustine Delasalle**, Director of Systems Change, Mission Possible Partnership

"With more than 6,000 hotels spanning over 100 countries, IHG Hotels & Resorts is proud to be at the heart of thousands of communities around the world. Through our Journey to Tomorrow 2030 Responsible Business plan, we're looking to make sure that, as we continue to grow, we're using our reach to deliver positive change in those communities, and the environment within which they sit. The Better Travel & Tourism, Better World report makes the case for that change with collective industry action and a joined-up agenda"

- **Catherine Dolton**, Chief Sustainability Officer, IHG Hotels & Resorts

"At Skyscanner, we believe that collaboration across the travel industry is key for making urgent and meaningful progress toward a sustainable future: a joined-up agenda is vital in ensuring systems-level action is enacted. Systemiq's report plays an important role in pulling together a macro view of the challenges the travel industry faces and outlining clear pathways to addressing those challenges. Doing so helps clearly visualize a way forward and ensure the sector's efforts lead to greater impact through alignment."

- **Alix Farr**, Sustainability Lead, Skyscanner

"At Labuan Bajo Flores, a previously little-visited part of the East Nusa Tenggara island of Indonesia, we have seen how partnerships and collaboration - cross sectors, cross actors - can lead to significant increases in the number of visitors and ground the nation's big vision. This also proved that such an increase in tourism can go hand in hand with protecting ecosystems, and benefiting local communities. The Better Travel & Tourism, Better World report underlines this opportunity and takes it to an international level."

- **Shana Fatina**, President Director, The Labuan Bajo Tourism Authority

"Nature-based solutions can deliver up to a third of the climate mitigation needed, but are not currently being implemented at the scale required. Sustainable Travel and Tourism has exciting potential to accelerate this, channeling much needed finance and resources to conservation and restoration, and I am excited to see this highlighted in this report."

- **Morgan Gillespy**, Programme Director of the Food and Land Use Coalition, the World Resources Institute

"At Hilton, we believe in the potential for travel to be a powerful force for good. Our industry has always been an engine of opportunity for our communities, a champion for the destinations where we operate and a powerful connector of people and cultures. There has never been a more important time to support efforts towards a more sustainable, inclusive and resilient world. This report is a welcome call to action and shows that by coming together, the future of our industry is bright"

- **Erica Gordon**, Senior Vice President, Global Head of Public Affairs and ESG, Hilton

"Tourism can be a powerful driver of impact when conducted in a Nature Positive manner. Conservation International believes that by working with partners in the tourism sector, we can drive investment into the outcomes that matter for communities, biodiversity and climate, and achieve real change for an improved tomorrow as highlighted in the Better Travel Better World Report."

- **Rob Grave**, Senior Director Conservation Finance Africa, Conservation International

ENDORSEMENTS

"The Better Travel & Tourism, Better World Report provides a data based call for bold leadership and collective action by governments, the private sector and NGOs to ensure that travel and tourism addresses its responsibilities to people and the planet and truly becomes a force for good in the world."

- **Isabel Hill**, Former Director, The U.S. National Travel and Tourism Office

"The Better Tourism & Travel, Better World Report outlines how travel and tourism can be a catalyst for global prosperity, if organized based on 10 net positive priorities for action. The new report published during this year's G20 Summit calls on the travel and tourism sector to build on the good work done to date by many companies and destinations, and use this energy to focus on the important next step of addressing the sector's significant sustainability challenges. The report gives innovative insights, strategic proposals, and concrete actions to implement including a total cost estimation, which is attainable in light of the travel and tourism's total contribution to global GDP. The report's proposals form a much-needed impetus and basis for travel and tourism to come together and create a framework for collective net positive action for the benefit of all. What are we waiting for?"

- **Inge Huijbrechts**, Global Senior Vice President Sustainability, Security and Corporate Communications, Radisson Hotel Group

"For Six Senses, sustainability is only the first step in establishing a reciprocal relationship with local ecosystems, communities and cultures. Going beyond protection, acting as a regenerative business adds value to all local stakeholders (whether human, animal or plant) with the ultimate aim of Six Senses giving back more than it takes. The Better Travel & Tourism, Better World report outlines the much needed net positive vision for the industry as a whole."

Omar Romero, Chief Development Officer, Six Senses

"WTC welcomes this initiative as a thoughtful contribution on how the global Travel & Tourism sector can focus its decarbonisation plans and act as guardians of the natural world. Critical to this a single set of data so the whole sector is united on the same priorities. Our sector will continue to grow in terms of both its contribution to economies around the world and the creation of jobs. But its success will also be measured on how we become more efficient and reduce greenhouse gases."

- **Julia Simpson**, CEO & President, World Travel and Tourism Council

"Transforming the travel and tourism industry requires new capital and collaboration across different parts of the real economy and financial system. The good news is that investing in an industry which is nature-positive, low-carbon and more equitable is both risk mitigating and value-creating. We are already seeing examples of mainstream capital in better travel and tourism solutions from hydrogen fuelled flying to ecotourism. We need to replicate what is working to get to scale. The strategy set out in this report gives the industry the tools to prioritise action and will help unlock the capital needed to deliver on this transition."

- **Katherine Stodulka**, Director, The Blended Finance Taskforce

"The Travel & Tourism sector is a sector that figures on both sides of the climate and sustainability equation. On one side, it brings a significant negative impact on ecosystems and the climate, and is itself one of the first victims of that impact by the destruction of key drivers for tourism. On the other side, there are few sectors that have such a big potential to fight climate change, protect ecosystems and bring other sustainability benefits, such as innovation, education and jobs. This report highlights key facts and issues, and puts the spotlight on what needs to be done to align the sector with a sustainable and climate smart planet."

- **Niclas Svenningsen**, UNFCCC advisor to the Sustainable Tourism Global Centre

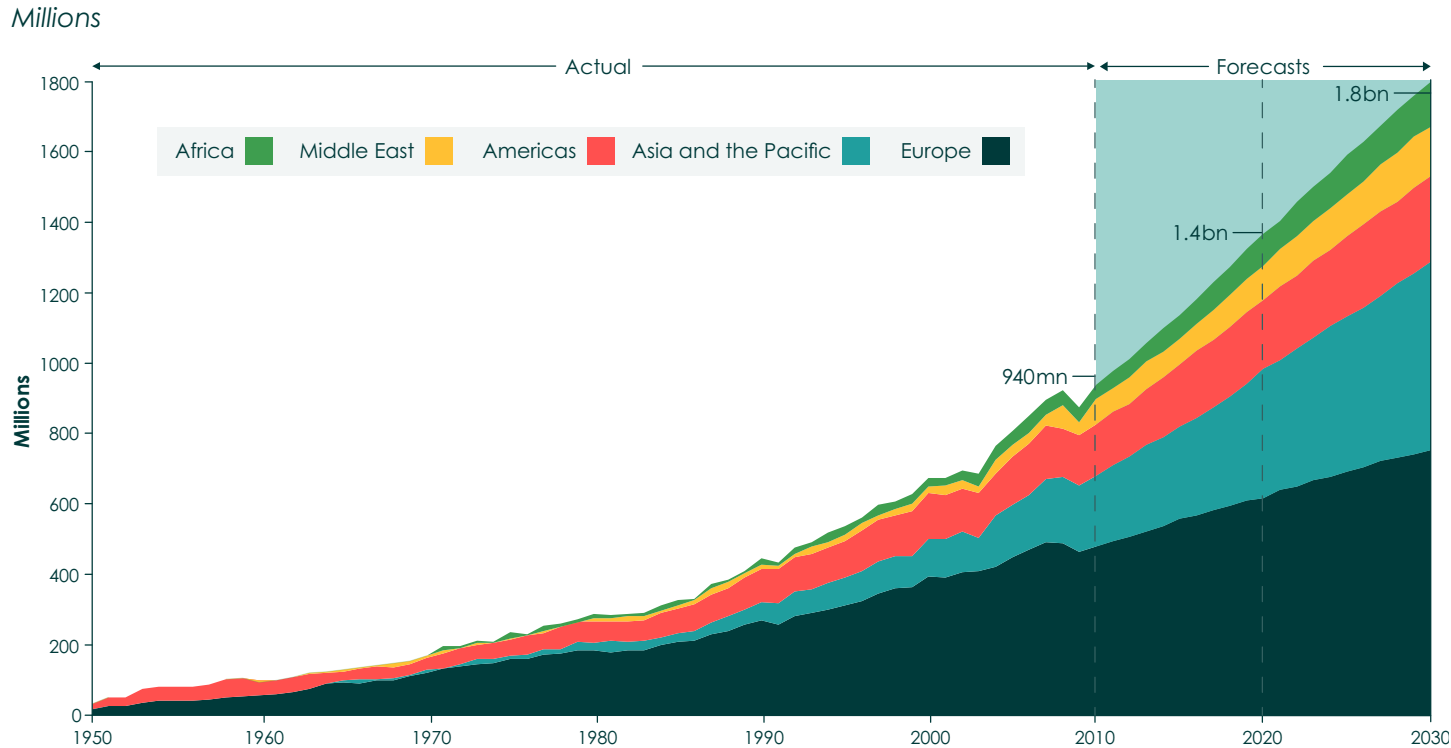
"It is clear that the Travel and Tourism industry cannot continue on a business-as-usual trajectory, and urgently needs to shift from a resource intensive, and often wasteful, model to one with a lighter, more regenerative footprint. This report is an important contribution to this movement, showing that a better future is possible and that many high impact solutions are already available"

- **Marc Zornes**, Founder, Winnow Solutions

EXECUTIVE SUMMARY

Travel & Tourism (T&T) has enjoyed immense success over the past seventy years. By driving economic growth, shaping communities and connecting people worldwide, the sector has unlocked countless social benefits.ⁱ Having grown rapidly since the 1950s, T&T took off in the 2000s withⁱⁱ the advent of affordable international travel. Today, it accounts for around 10% of global GDP and up to 70% of GDP in some countries (see Figure 2).ⁱ Not surprisingly, T&T is now considered strategically important, both nationally and internationally.

FIGURE 1: INTERNATIONAL TOURIST ARRIVALS RECEIVED BY REGION



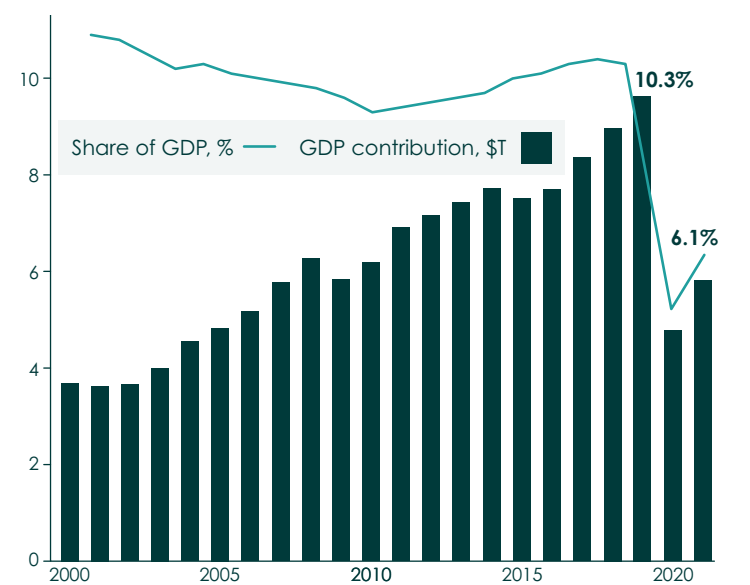
ⁱ We acknowledge the wealth of resources and extensive work done on the topic of Travel & Tourism (T&T) by the WTC, UNWTO, WRI, Conservation International and many others. This report builds on the existing work and brings it together into a comprehensive, fully costed strategy for the T&T industry, capturing opportunities that are missed when looking at T&T's closely interlinked sub-sectors in isolation.

The industry's scale and dynamism create a wealth of economic opportunities. Before the pandemic, it employed over 330 million people (one in ten jobs worldwide)² and supported more than a billion livelihoods.³ Revenues from T&T are a major source of funding for natural and cultural heritage. Beyond its economic benefits, the sector is unique in the ways it connects people and businesses across the world. By democratising travel, T&T makes it possible for people to visit distant friends and relatives, expand their professional and academic networks, fulfill religious duties, get medical treatment or simply rest and relax. By introducing both travellers and hosts to different people and cultures, T&T furthers international peace, understanding and prosperity.

These varied contributions to societies and individuals reflect the industry's diversity. T&T comprises multiple sub-sectors – transport, hospitality, tour operators, travel agencies and more – stretching from local to global levels.ⁱⁱⁱ The resulting multiplicity of interconnections and global scope give the industry outside potential to drive positive change across the global economy.

ⁱⁱ This report uses 2019 data (pre-COVID-19 levels).
ⁱⁱⁱ This includes those working directly within the industry, in the sub-sectors transport, hospitality, (online) travel agencies, tour operators, destination management organisations and (online) tourism and information guiding services. It also includes actors that interact with T&T as customers and suppliers, including food and agriculture, retail, construction and digital sectors.

FIGURE 2: T&T GDP CONTRIBUTION OVER TIME
% of total, USD trillions



THE CASE FOR ACTION

However, T&T's success has also come at a cost. Alongside its many contributions, the sector generates significant environmental and social costs. The main ones are:

CLIMATE COSTS

T&T generates an estimated 5.2 GT of CO₂e each year, accounting for 9-12% of total greenhouse gas emissions worldwide.^{iv} Emissions from the sector's transport operations (mainly aviation and vehicles) and from running facilities (mainly hotel buildings) account for almost 80% of the sector's total emissions.^v Without significant change in the industry's operating models, we project its annual emissions will rise 20% to 6.2 GT CO₂e by 2030, representing one-third of the total (net zero) global carbon budget for that year (see figure 3⁴).^{vi, 5}

COSTS TO NATURE:

T&T developments in many places degrade nature and deplete biodiversity. The damage is caused by a combination of land clearance to construct T&T facilities and infrastructure (for instance, Aruba has lost 70% of its mangroves since 1990 largely to hotel development)⁶, mismanaged tourist behaviours, such as uncontrolled diving to coral reefs, and overuse of local resources, notably water. T&T also has a large indirect impact on nature through its supply chains for food and materials. Unless managed sustainably, these can encourage deforestation and other kinds of harm to the natural world. High levels of food waste^{vii} throughout the T&T value chain are particularly damaging to climate and nature – as well as hitting the industry's bottom line.

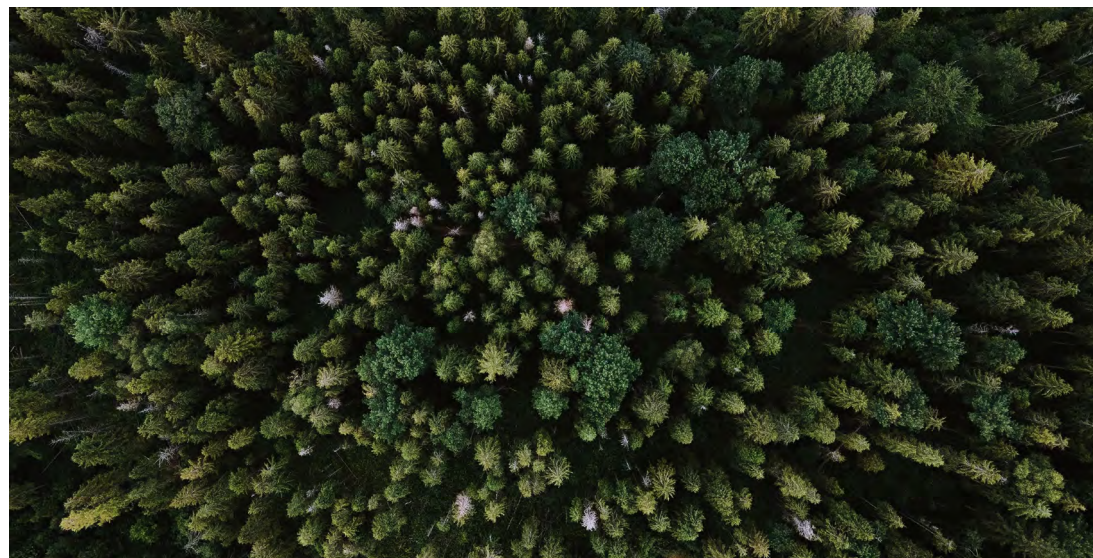
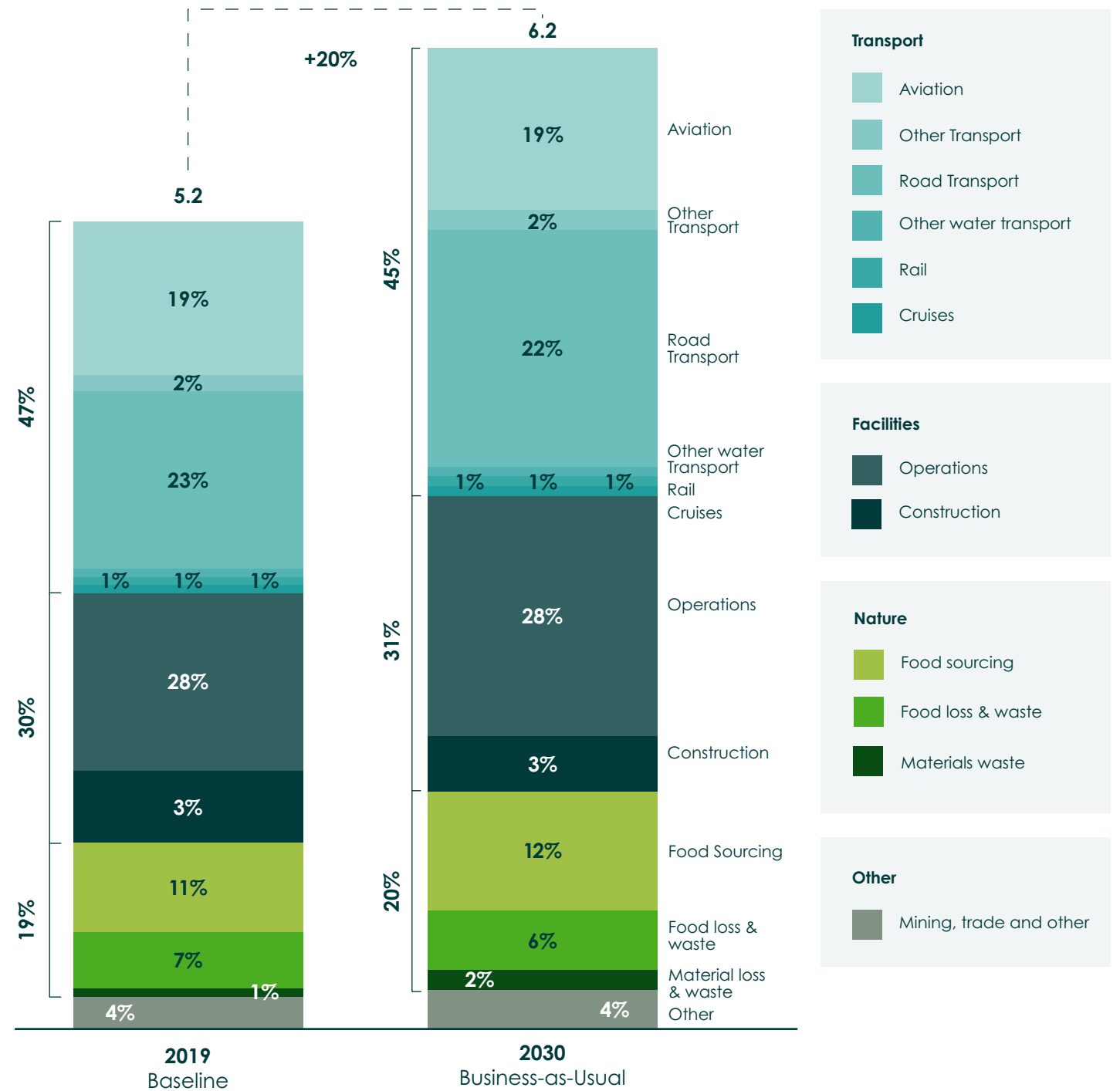


FIGURE 3: GLOBAL GHG EMISSIONS OF THE TRAVEL & TOURISM SECTOR
Gt CO₂e, 2019 and 2030 BAU



iv Systemiq analysis. Emissions estimated as between 4.6 and 5.8 GtCO₂e in 2019, based on WRI estimates for global total emissions of 49.8 GtCO₂e the same year. See Technical Annex 1 and 2 for details. This is higher than most previous estimates for T&T emissions; our analysis is based on up to date data for aviation and cruise, and also includes nature-related emissions not typically included in previous estimates. Data availability continues to be a challenge for accurately estimating T&T emissions, and the industry would benefit from further work on this topic.

v Estimate for T&T related construction emissions only includes hospitality construction, and not retail, food and beverage, and other services due to a lack of data. This means the true figure is higher.
vi Based on IPCC Carbon Budget estimations.
vii 12% of global food waste is from the hospitality industry.



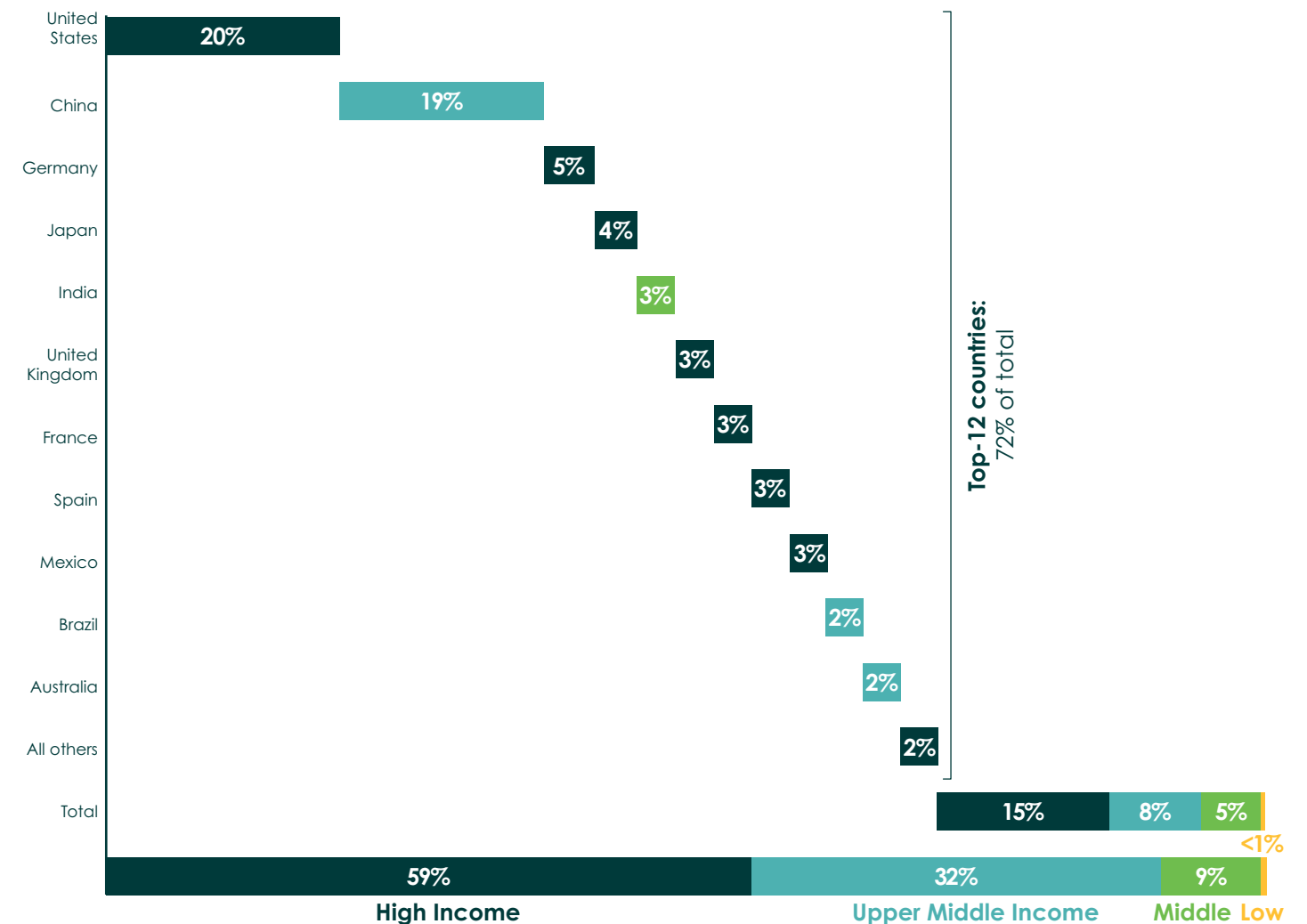
Venice, Italy

COSTS TO HOST COMMUNITIES

While T&T is an important generator of jobs and incomes, significant gender inequality and high rates of informal work can undermine these benefits. Women, migrant workers, and young people are more likely to take informal T&T jobs and so miss out on the social protections that come with formal employment.⁷ Excess numbers of tourists can damage popular cultural and natural sites and also drive up local housing costs.

In addition to these costs, long-standing problems caused by the concentration of visitors on relatively few destinations and the sector's seasonality are compromising its performance. About 72% of T&T's contribution to global GDP comes from 12 countries, most of them in the global north. Just 10 of them receive half of all international arrivals worldwide.⁸ Seasonal travel patterns produce excess demand for the popular destinations in peak seasons and untapped capacity at other times, making T&T business models more vulnerable to shocks and volatility. Yet while T&T puts excessive strains on these established tourist hotspots, other potential destinations miss out on its economic and social opportunities entirely.

FIGURE 4: SHARE OF GLOBAL TRAVEL AND TOURISM, COUNTRY
% of global T&T GDP contribution, 2019 USD



The COVID-19 pandemic highlighted T&T's general lack of **resilience**. The sector lost 62 million jobs in 2020, though it regained 18 million in 2021, demonstrating the bounce-back capacity of some segments.^{viii} 9 That said, the challenges of COVID-19 are likely to pale in comparison to the likely effects of climate change and depletion of nature on an industry that depends on predictable weather and beautiful surroundings.

Many destinations are already suffering. The 2017 hurricane season in the Caribbean cost an estimated USD 741 million in lost tourism revenues.¹⁰ In ski areas in the western US, the snowpack season shortened by an average of 18 days between 1982 and 2021.¹¹ Future projections make it even clearer that business-as-usual is untenable for the sector. The number of days of extreme heat (above 37°C) is expected to double by 2050 in southern Spain, Turkey and north Africa, from 30 days to 60.¹² And the majority of coastal areas¹³, where 80% of tourism takes place, face rising sea levels. With these and other effects of climate change set to mount, investing to enhance the sector's resilience is clearly an urgent priority. This report estimates that annual investments of USD 14-31 billion^x are needed by 2030 to future-proof T&T destinations against looming climate shocks. Yet funds are not being channelled towards these destinations fast enough.



The Bahamas



Swiss Alps

What explains these growing “hidden costs” and the risks they pose to the sector? In part, they simply reflect T&T's share of a global economy that has grown fast for the past 30+ years without fully managing the environmental or social consequences. However, for T&T the situation is complicated by three additional factors. First, countries lack the joined-up public sector capacity to set policies and plans needed for healthy development of their T&T sector. Few tourism ministries have a seat at the top table of government. Second, travellers, whether for business or leisure, lack the reliable, accessible information they need to understand the impact of their T&T choices, compare providers' performance across the sector, and make better decisions. This prevents the signal of market demand for sustainable options reaching T&T providers loud and clear. Third, most of T&T apart from its luxury segment has been on a relentless drive to compete on cost. The industry has unintentionally conspired to devalue its own product, in the process reducing its margins, weakening its resilience and forgoing the investments needed to secure its longer-term value proposition.

Addressing the sector's hidden costs and their causes should be an urgent priority for the T&T industry as a whole and for governments that want to leverage the potential of T&T as an engine of sustainable growth and job creation for the wider economy.

viii The change in Travel & Tourism's contribution to jobs is slower than the change in contribution to GDP because jobs are less elastic and hence, are less volatile. This is because the process of laying off existing staff and onboarding new personnel takes time (WTTC, 2020). On top of that, in the immediate aftermath of the crisis informal wage workers were three times as likely to lose their jobs as formal workers.

ix Systemiq analysis, see Technical Annex 4.

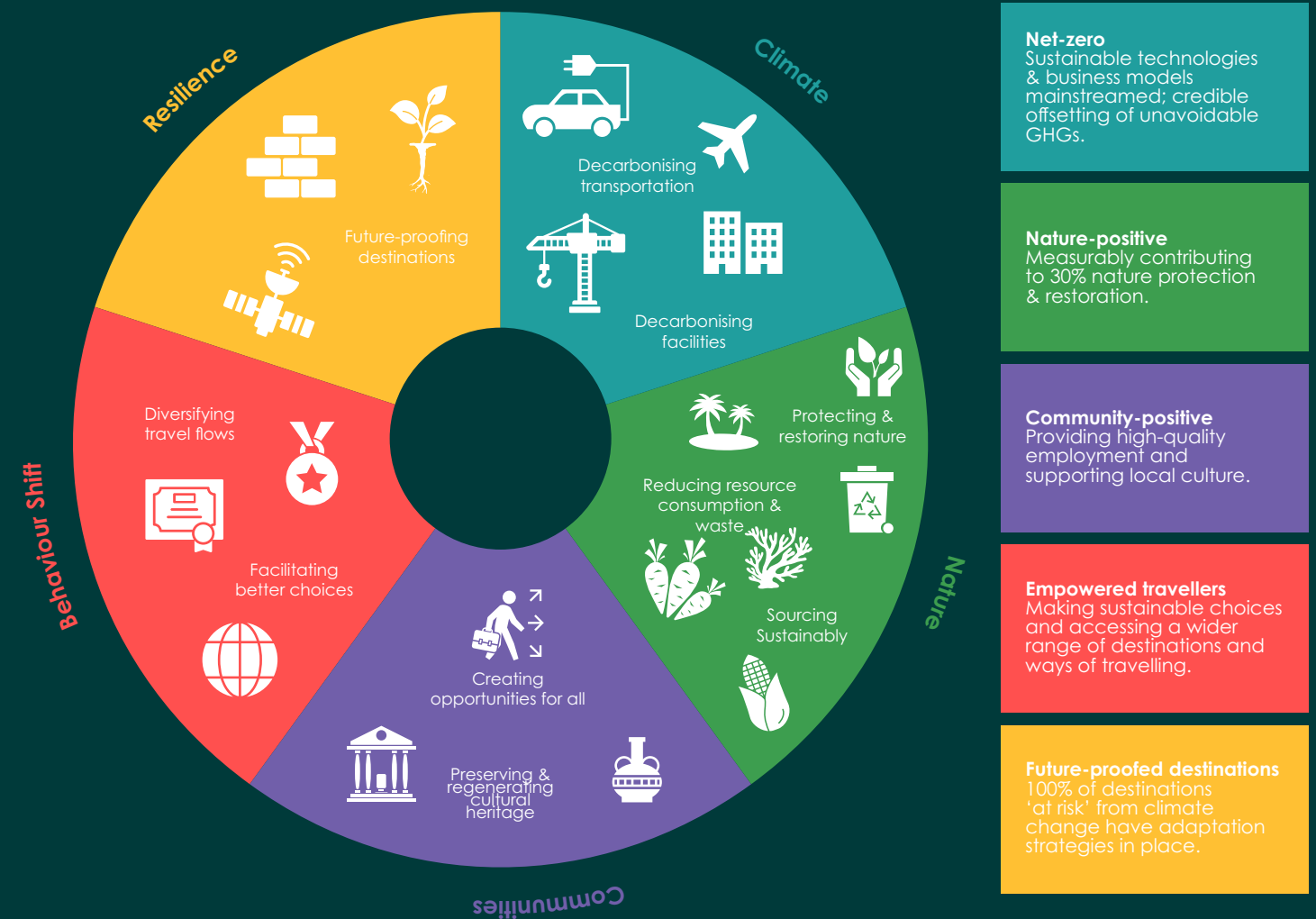
A BETTER FUTURE IS WITHIN REACH

The good news is that taking the right action now has every chance of delivering a better future for all T&T stakeholders by 2050. What could that future look like if we get it right? Here are some ideas:

- **In 2050, T&T is a thriving, productive and diverse industry, widely seen as a force for good around the world.** The sector has achieved rapid, sustainable growth, doubling the number of trips since 2019 (the pre-COVID peak). It now accounts for 15% of global GDP and is viewed as a major contributor to better growth, good jobs, innovation and meeting environmental and climate goals.
- **By 2050, T&T has become a leading net-zero industry.** Growing customer demand for sustainable options across business and leisure segments during the 2020s prompted T&T industry leaders, especially in aviation and hotels, to co-ordinate early investment in climate solutions, helping to secure the industry's future. MSMEs have also been able to shift to net-zero, with blended finance making it possible for them to upgrade their facilities at an affordable cost of capital.
- **By 2050, T&T is a nature-positive industry:** with over 20% of tourism revenues and investments directed towards protecting and regenerating forests, parks, savannahs, mountain landscapes, beaches and coral reefs and simultaneously strengthening destination resilience. Global action to place a value on nature through carbon and biodiversity credits has moved eco-tourism from niche to mainstream. Over 1000 destinations across the world are now nature-positive as a result of tourist revenues and careful regeneration plans, creating benefits for both travellers and local communities.
- **T&T continues to generate over 40 million new jobs every year: over 80% of these jobs provide proper employment benefits and security.** T&T is a hot sector, winning the war for talent by offering careers combining human interaction (ever more precious in online 2050), good job security and purpose - every T&T job is a chance to be involved in great projects that strengthen communities and nature. The T&T industry is now a leader in integrating people with disabilities fully into the workforce.
- **T&T in 2050 is a major source of funding for the protection and restoration of cultural heritage and for cultural exchange.** Augmented reality tools are making it easier for travellers to understand and connect with the destination and communities they are visiting. A virtuous circle continuously connects tourism and the capital needed to protect and improve cultural assets.
- **New travellers are visiting new destinations; travelling behaviours have changed.** New T&T destinations account for 20% of annual journeys worldwide. Most are in the Global South, where travel has taken off. New technologies are making it possible for travellers to experience and learn about their destinations like never before. Instant translation tools are changing interaction between travellers and the communities they visit, opening up new worlds. Reliable data on T&T providers' impact on people and planet is available to all consumers, who now routinely make informed travel decisions.

- **T&T destinations are future-proofed against looming climate shocks.** All destinations considered 'at risk' of climate change have adaptation strategies in place. And T&T is seen as a strategic, essential player in channelling finance towards those vulnerable destinations that need support the most. In turn, these destinations are now more appealing for visitors and more stable for their host communities.

FIGURE 5: TRAVEL AND TOURISM SYSTEM



WE NEED A PLAN FOR THIS DECADE AND MUCH MORE CO-ORDINATED LARGE-SCALE ACTION

T&T has set off on its journey to this better future. Over 450 organizations signed the Glasgow Declaration on Climate Action in Tourism. Several initiatives to help T&T businesses reduce emissions are in motion, including Tourism Declares a Climate Emergency and the Global Sustainable Tourism Council. There are also climate initiatives targeted on T&T sub-sectors: the Sustainable Hospitality Alliance (SHA) rallies the major hotel chains and hospitality groups to address environmental and social issues; the Mission Possible Partnership convenes actors across the aviation value chain to make sustainable fuels a reality; and Travalyst is bringing together online platforms to improve data transparency for travellers. The World Travel and Tourism Council represents the industry as a whole and provides data insights and research.

But the industry is travelling too slowly. For example, only 2% of the 3500 private companies that have signed up to reduce emissions through the Science-Based Targets Initiative are in tourism and hospitality businesses, representing far less than the sector's 10% share in global GDP. Fewer than half of these T&T companies have had their targets approved.¹⁴ As businesses recover from the shocks of the pandemic, returning to business-as-usual (BAU) seems to be taking priority over building back better.¹⁵

What the industry needs now is a shared agenda for co-ordinated, high-impact action. This report puts forward 10 industry-wide priorities for T&T and a set of concrete 2030 targets for industry stakeholders to aim at. It identifies the key actions needed to hit the targets, with clear roles for different stakeholders (see figure 6).













Great Barrier Reef,
Australia



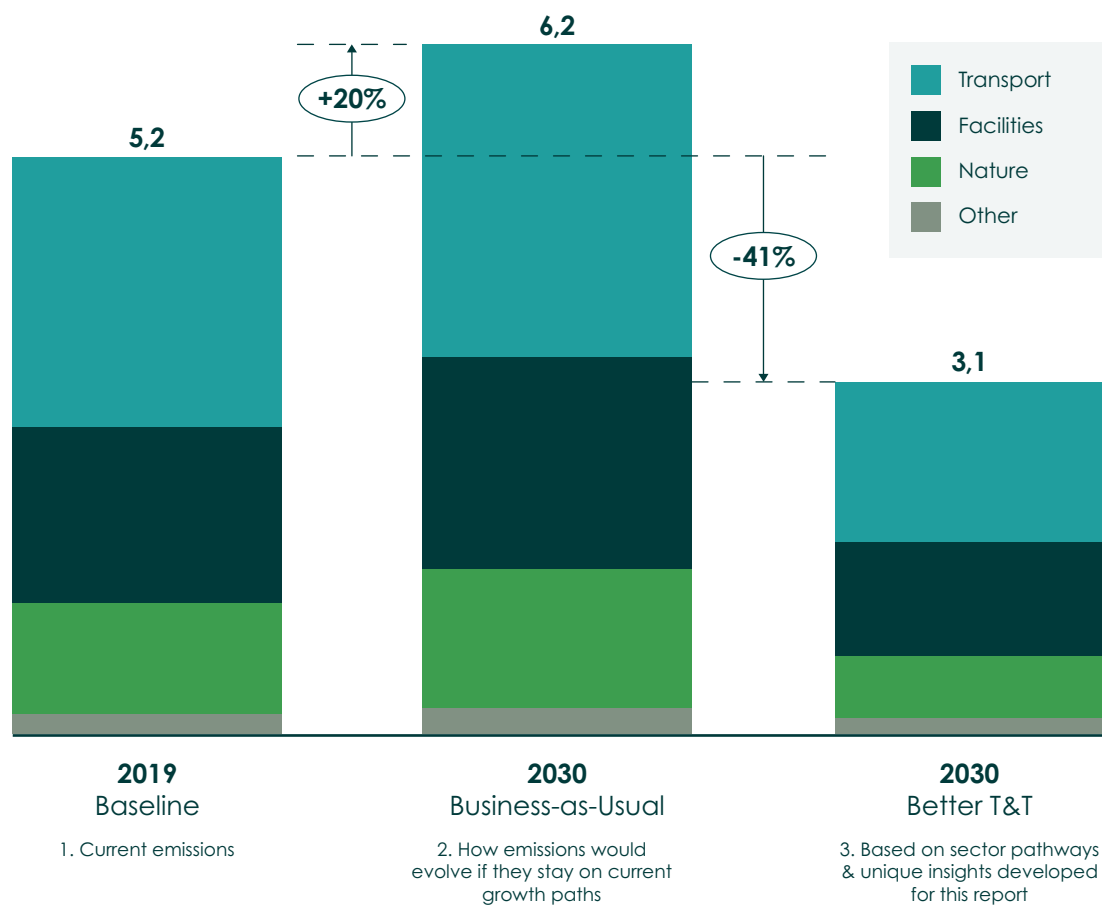
Stonehenge,
United Kingdom

FIGURE 6: BETTER TRAVEL PRIORITIES & TARGETS

AREA		10 T&T PRIORITIES	KEY 2030 TARGETS ¹
CLIMATE	1 	Decarbonising transportation	<ul style="list-style-type: none"> SAFs meet 15% & hydrogen meets 1% of aviation energy needs 85% rental vehicles are EVs
	2 	Decarbonising facilities	<ul style="list-style-type: none"> 50% reduction in operations GHGs 30% reduction in construction GHGs
NATURE	3 	Protecting & restoring nature	<ul style="list-style-type: none"> By 2025, major T&T corporates & whole destinations can make credible claims about their impact on nature By 2030, T&T contributes to protecting 30% of all terrestrial & marine ecosystems
	4 	Reducing resource consumption & waste	<ul style="list-style-type: none"> 40% reduction in food loss and waste 25% reduction in carbon footprint of plastic use Traveller water consumption is in line with local per capita rate
	5 	Sourcing Sustainably	<ul style="list-style-type: none"> 80% of businesses have sustainable food procurement policies
COMMUNITIES	6 	Creating opportunities for all	<ul style="list-style-type: none"> 80% formal employment in medium to large T&T firms (>50 employees)
	7 	Preserving & regenerating cultural heritage	<ul style="list-style-type: none"> T&T is a significant contributor to funding for cultural assets
BEHAVIOUR	8 	Diversifying travel flows	<ul style="list-style-type: none"> 25 countries drive 70% T&T global GDP contribution, up from 12 countries today
	9 	Facilitating better choices	<ul style="list-style-type: none"> 80% of the industry uses common framework to measure and report sustainability
RESILIENCE	10 	Futureproofing destinations	<ul style="list-style-type: none"> 100% of destinations 'at risk' from climate change have adaptation and mitigation strategies in place

¹ Analysis for this report has identified additional targets around other topics, these can be found in the Technical Annex. This list represents the targets that will deliver the most impact and serve as the best indicator of progress by 2030.

FIGURE 7: GLOBAL T&T GHG EMISSIONS IN 1. 2019 2. BAU 2030; 3. BETTER TRAVEL SCENARIO 2030
Gt CO₂e



To improve T&T's **climate** impact in line with the Paris Agreement, the report outlines actions to reduce T&T emissions from **5.2 to 3.1 Gt CO₂e** between 2019 and 2030 instead of the rise to 6.2 Gt CO₂e projected in the 2030 BAU scenario (see figure 7).^x The two T&T priorities that focus most on climate are Decarbonising Transportation and Decarbonising T&T Facilities. Today, transport and facilities account for 47% and 30% of T&T's total emissions. Slashing emissions from both will have a dramatic impact on the industry's total carbon footprint.

Actions that will secure T&T's positive impact on **nature** are, first, measures that directly protect and restore nature. These include adopting nature-positive business models that tap into carbon markets and channel tourism revenues towards conservation. Tackling food waste and cutting single-use plastics alongside switching to sustainable food sourcing will also enable T&T to replenish nature and reduce emissions at the same time.

Two priorities focus on improving T&T's impact on **communities**. The first is creating opportunities for all by ensuring good pay and working conditions and widening access to jobs for local people. Moving towards 80% formal employment, at least for medium and large T&T firms, will be critical too. The second is improving T&T's impact on cultural heritage by adapting business and governance models to include preserving and regenerating destinations' culture not only through direct funding but also by offering more authentic interactions between travellers and destination communities. By 2030, funding for culture generated by T&T will have increased by 50%.

Nudging **traveller behaviour is critical but not easy**. The T&T industry has focussed too much attention over the past 20 years on competing on cost and driving scale-based efficiencies. With post-COVID consumers now looking for better options, the T&T industry has an opportunity to raise its game. First, it could diversify travel flows away from traditional destinations and grow visitor numbers in new ones. Second, it could help consumers make better choices – by 2030, over 80% of trips should be informed by high-quality carbon emissions data.

Finally, all involved in T&T can build the industry's **resilience** by future-proofing destinations against the effects of climate change and tourism induced stress. This will involve developing resilience strategies with local partners and investment in better infrastructure including early warning systems, and nature-based solutions, such as restored mangroves and coral reefs.

Taking the actions needed to hit the 2030 targets will require additional investments^{xi} in T&T transport, facilities, nature and resilience totalling an estimated USD 220-310 billion a year, rising through to 2030 (see figure 8). This is a significant amount, 2-3% of T&T's contribution to global GDP in 2022 of around USD 10 trillion. But making these investments will enable the industry to drive strong, sustainable growth, strengthen its resilience, maintain its licence to operate and remain competitive in the long run.



Himalayan Macaque in Chamunda Sacred Grove, Uttarakhand, India
Credit: Aneesh Kotru

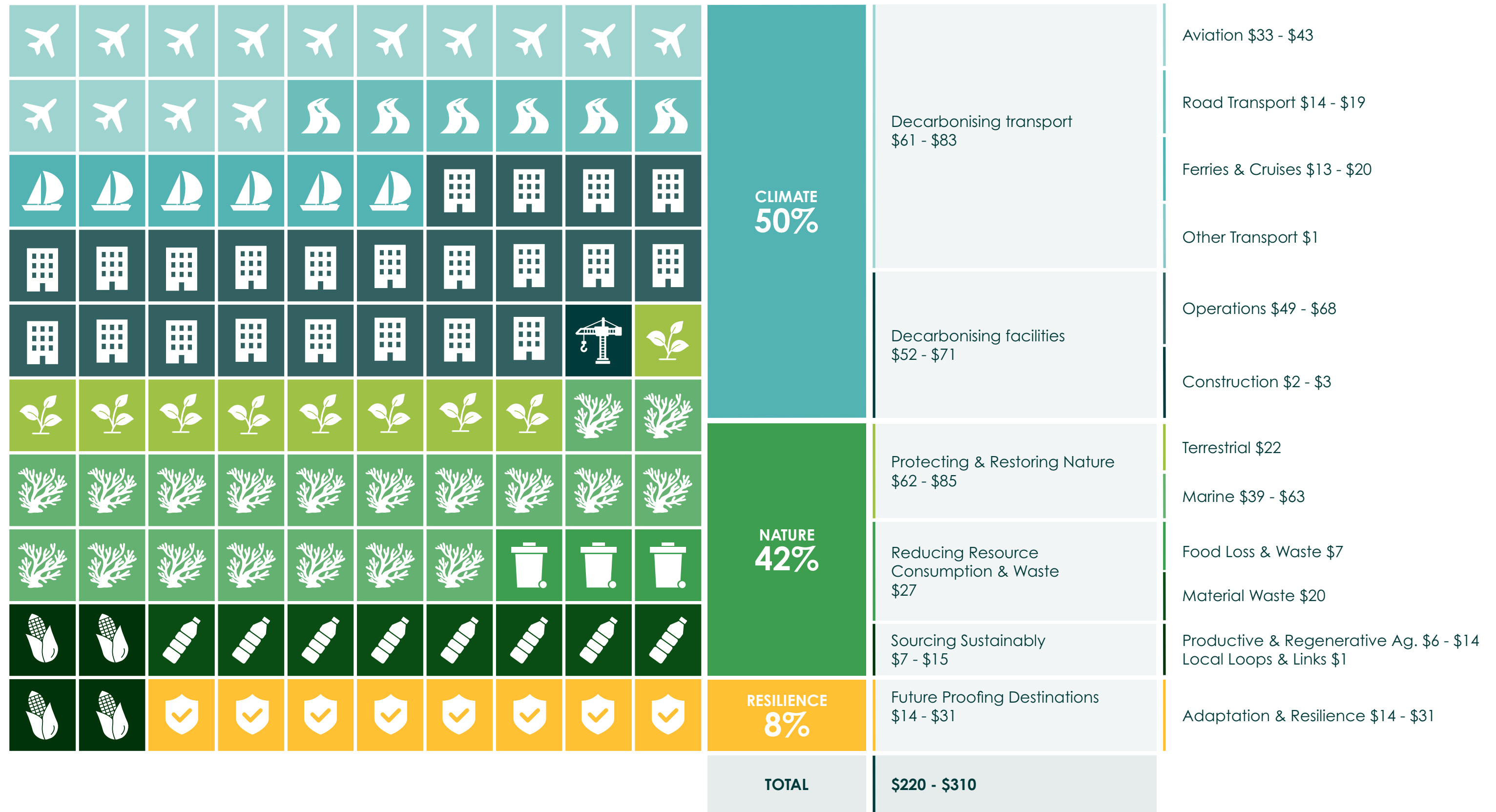
x Systemiq analyses, see Technical Annex 1, 2, and 3 for details.

xi Additional investments are those required on top of current and business-as-usual investments. The majority of additional investments are CAPEX. Systemiq analyses, see technical annex 4 for details.

FIGURE 8: INVESTING IN THE TRANSITION

% of total investment

Investment area

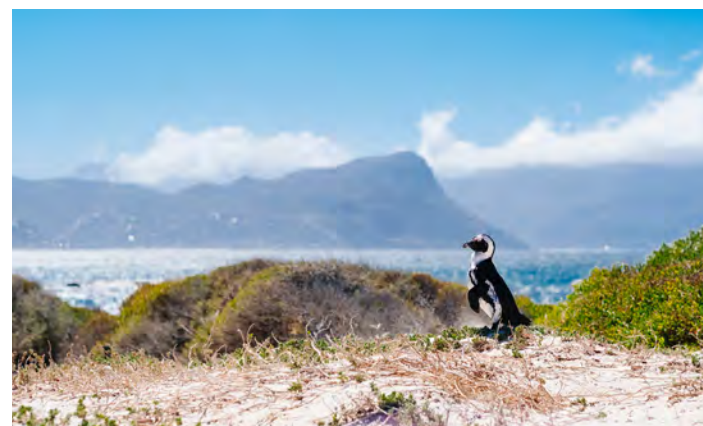


Nearly 60% of the total investment needs to be targeted on three actions: decarbonising aviation, largely through increased use of sustainable aviation fuels (USD 33-43 billion a year); protecting and restoring marine ecosystems (USD 40-65 billion a year); and improving heating and cooling systems across the global hotel estate (USD 50-70 billion a year).^{xii} All three of these actions face financing challenges, but there are practical solutions.

Decarbonising aviation may require airline ticket prices to rise, but not by very much. Using more sustainable aviation fuels (SAFs) is likely to raise jet fuel costs. But these higher fuel costs could be largely offset by efficiency gains, meaning average ticket costs would only need to rise by less than 10% by 2030.^{xiii} Moreover, the rise will follow a period of 30 years in which real ticket prices have fallen by 50%.^{xiv} Decarbonising aviation could also be paid for by a Frequent Flyer Levy (FFL). Recent analysis by the International Council on Clean Transportation (ICCT) makes a strong case for an FFL being a more equitable way to compensate for aviation emissions than a flat tax on flights, because such a tax burden would fall on wealthier frequent fliers and ensure people on lower incomes are not priced out of flying.^{xv} Estimates suggest that a global FFL would generate 81% of revenue from frequent flyers and 67% from high-income countries, compared to 41% and 51% under a flat tax. The proposed FFL would start at USD 9 for a person's second flight, rising to USD 177 for their twentieth in the same year. Those travelling in premium cabins are likely to have little sensitivity even to the highest levy.

Restoring marine ecosystems will require a mix of public and private financing, with the private part potentially coming from voluntary (blue) carbon markets. This is one priority area where additional public sector investments will be needed. Smart hypothecated local taxes are already a source of such public funding in some destinations. One such is Cancun, whose reef is critical to its tourism sector and where the local community recognises that collective funding to protect the reef and invest in marine ecosystem restoration is essential.

Passing the full costs of decarbonising hotel buildings through to consumers would add between USD 8 and USD 23 to the average cost of a hotel room per night.^{xv} For example, a typical midscale, full-service business or leisure hotel built in the UK in 1966 would cost an extra USD 15 per room per night. But much of the upfront costs of lowering emissions from hotels could also be offset by (energy) efficiency gains over time: many energy efficiency measures have a 5-7 year payback period. As well as reducing operating costs, studies have shown that gaining energy and sustainability certification also reduces the risks of commercial property and increases its value by an average of nearly 15%.^{xvii}



Hout Bay, South Africa

Figure 8^{xvi} shows the costs of making 6 archetypal trips by either conventional, high-carbon means or better sustainable options. Shifting the costs of decarbonising mainly retrofitting hotels and making aviation more sustainable to consumers raises the average trip prices by between 1% and 8% compared to conventional trips.

FIGURE 9: COMPARING THE COST OF SIX ARCHETYPAL TRIPS IN A BUSINESS-AS-USUAL VS A BETTER TRAVEL SCENARIO IN 2030



xii Systemiq analysis. See Technical Annex 4. Estimate for T&T related construction emissions only includes hospitality construction, and not retail, food and beverage, and other services due to a lack of data. This means the true figure is higher.

xiii Systemiq analysis, see Technical Annex 5.

xiv Frequent flyers are defined as those who take more than six flights a year. The ICCT estimates that the richest 20% worldwide take 80% of flights, and the top 2% most frequent flyers take around 40% of flights.

xv Amortization of 10-years. Only looking at costs, not savings. Systemiq analysis, see Technical Annex 5.

xvi Systemiq analysis. Key assumptions include the costs of achieving SAF mix of 15%; retrofitting hotels to achieve net-zero, amortized over 10 years; use of electric vehicles and/or train; less emissions intensive diet. See details in Technical Annex 5.

A JOINED UP AGENDA

Brave leadership from business and governments, creative thinking and unprecedented collaboration across the sector can accelerate work on each of the 10 T&T Priorities detailed in the report. Net-zero pathways have already been developed for several T&T sub-sectors, including transport, hospitality, food, buildings, and energy providers. But collaboration between stakeholders across sub-sectors and geographies can unlock even greater gains for climate, nature and communities, accelerating the speed and scale of T&T's transition.

Having consulted with stakeholders across the T&T system, we have identified four cross-cutting initiatives to boost the transition across the industry.

- 01** Launch a 'T&T First Movers Coalition' to harness the market power of large T&T buyers.
- 02** Establish a fund that directs T&T offsets to strengthening climate resilience in vulnerable T&T destinations.
- 03** Build 'Better T&T' flagship destinations.
- 04** Align on single framework for measuring sustainability across the T&T industry.



01 Launch a 'T&T First Movers Coalition' to harness the market power of large T&T buyers.

WHAT

The coalition would bring together the largest T&T buyers, including corporations, governments and international organizations with large travel budgets, which account for a significant share of the industry's emissions. Members would commit to reduce their use of high-carbon options (e.g. kerosene-fuelled flights) and increase their use of low-carbon, sustainable options (e.g. SAF-fuelled flights, rail, low-carbon hospitality options), providing a market signal that encourages and supports the T&T industry to change. Commitments would include both changes in purchasing behaviour and in procurement frameworks, to bring questions of sustainability to the table.

WHY

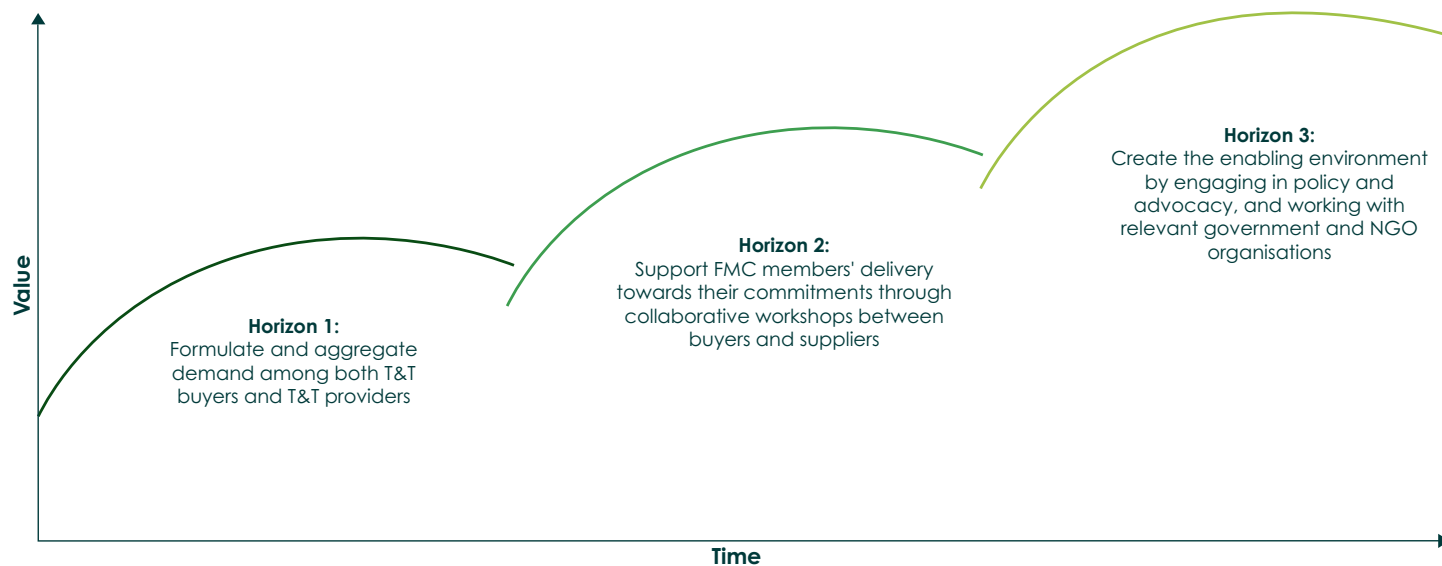
Many low-/ or zero-carbon technologies and business models remain small-scale, with higher costs and limited access to revenues and investment, due to a lack of product familiarity among consumers and investors. Demand shifts are needed so that these solutions can secure investment and tap into economies of scale. Leveraging the purchasing power of large T&T buyers could provide the market signal required to scale sustainable solutions.

WHO

Existing initiatives to build on include:



3 HORIZONS



02 Establish a fund that directs T&T offsets to strengthening climate resilience in vulnerable T&T destinations.

WHAT

Industry actors would launch a T&T Resilient Destinations Fund, designed to channel investment towards vulnerable T&T destinations. T&T industry actors would allocate a share of offset contributions towards the fund, which would direct investment towards projects that would enhance resilience in climate vulnerable T&T destinations. Suitable projects could include nature-based solutions that deliver win-wins for GHG mitigation and adaptation, such as protecting and restoring coral reefs and mangrove forests.

Over time, the initiative would seek to make changes in voluntary carbon market accounting systems to allocate more climate finance to adaptation efforts even when these do not mitigate emissions, such as climate-proofed infrastructure. This would represent a powerful step to unlocking more funds for resilience worldwide.

WHY

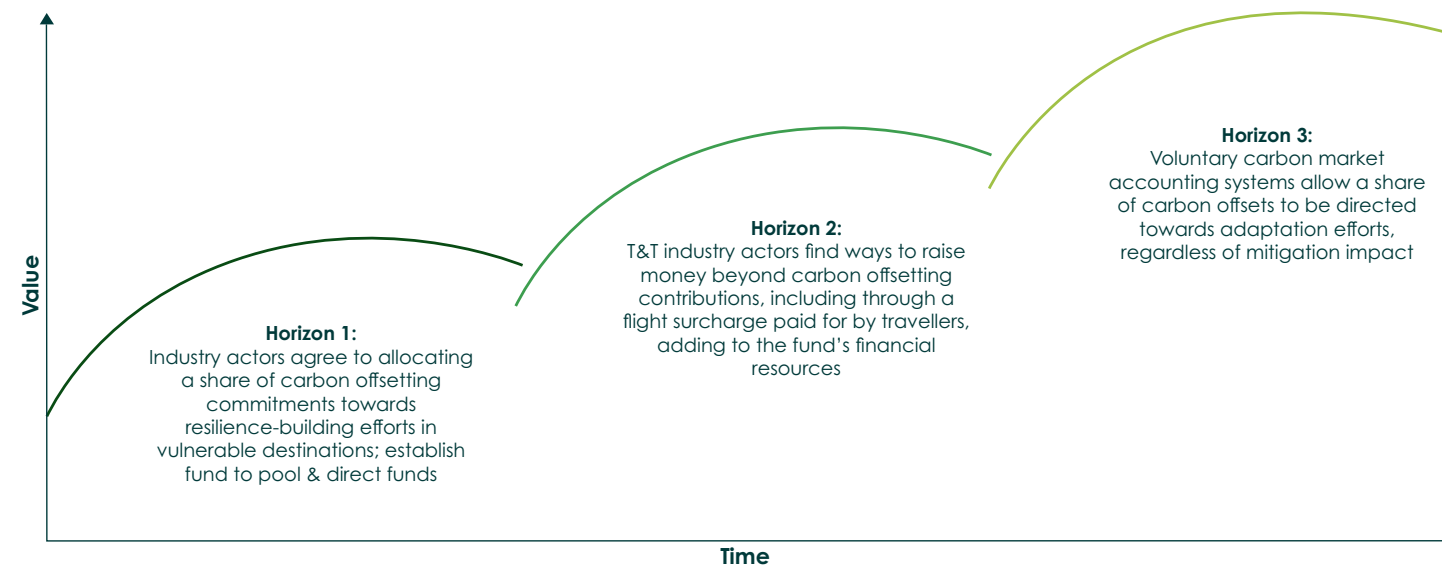
T&T industry actors will need to continue to make offset contributions in the medium-term as part of their decarbonisation pathways. Yet currently, many of the sector's offsets fund projects beyond the T&T value chain. Instead, these funds could be used to address the ~USD 14-31 billion annual investment gap to build resilience in the sector by 2030. This would support host communities, enhance the appeal of destinations and future proof the industry as a whole. This is an ambitious idea and would require significant resources to set up the necessary governance structures, but could be a highly effective way of financing adaptation, which is currently underfunded worldwide.

WHO

Existing initiatives to build on include:



3 HORIZONS



03 Build 'Better T&T' flagship destinations.

WHAT

Public authorities, hospitality providers, tour operators and travel agents would collaborate to develop Flagship Destinations that drive progress across the 10 priorities, providing a holistic, sustainable experience for travellers. This would involve both retrofitting existing tourism hotspots and journeys and developing new tourism destinations that deliver a positive impact on climate, nature and communities. Flagship Destinations would be defined as sustainable based on existing sustainability standards initially, and according to a unified set of industry-wide standards once these are established.

WHY

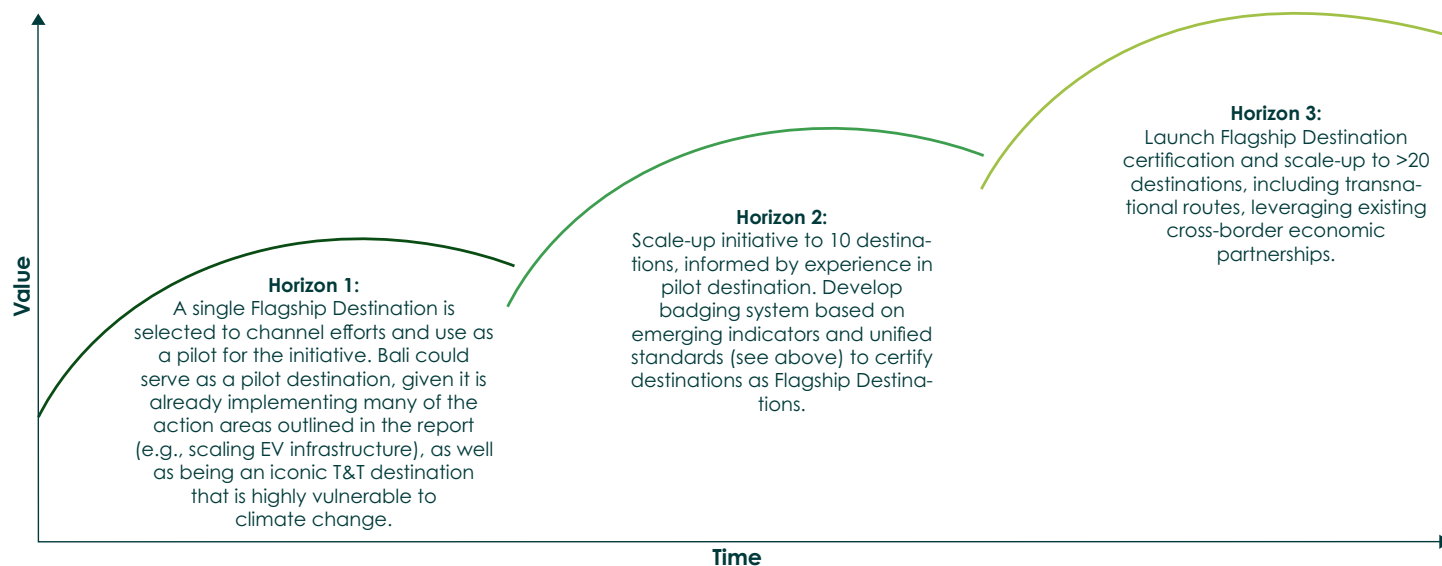
Driving industry-wide change in T&T is challenging, given the varied and complex nature of the sub-sectors within the industry. Flagship Destinations offer a way to focus coordination efforts and incentive alignment in specific destinations, providing a demonstration of the benefits of transformation and the feasibility of unlocking these.

WHO

Existing initiatives to build on include:

- Coordinated efforts at the destination level, eg., the Caribbean Tourism Organization's Sustainable Tourism in the Caribbean initiative
- Transnational economic corridors provide a platform for coordination and scaling, e.g., the Greater Mekong Sub-regional Tourism Corridor, the Danube Tourism Corridor and the Turkic Silk Road Tourism Corridor

3 HORIZONS



04 Align on single framework for measuring sustainability across the T&T industry.

WHAT

Industry actors would coordinate behind efforts to unify existing, diverse standards into an industry-wide system that enables consumers to understand the impact of their trips on climate, nature and communities. The framework would pull together existing standards into uniform indicators of T&T impact on climate, nature and communities. By extending across key impact areas and industry actors, unified standards would equip travellers to make better informed decisions, strengthening the market signal of impact-conscious travellers.

Over time, these standards could be extended and linked-up to other initiatives to be of use to other users (e.g., investors).

WHY

Already, a number of players are driving efforts to develop unified standards for the T&T industry (see below). These actors recognise that travellers want to understand their travel footprint, but that currently this information is fragmented, incomplete, and that existing metrics and standards are often not consistent across sub-sectors and issue areas. Consistent, industry-wide standards would equip travellers to make informed decisions. This would create a race to the top among industry providers, overcoming first mover hazard and accelerating action.

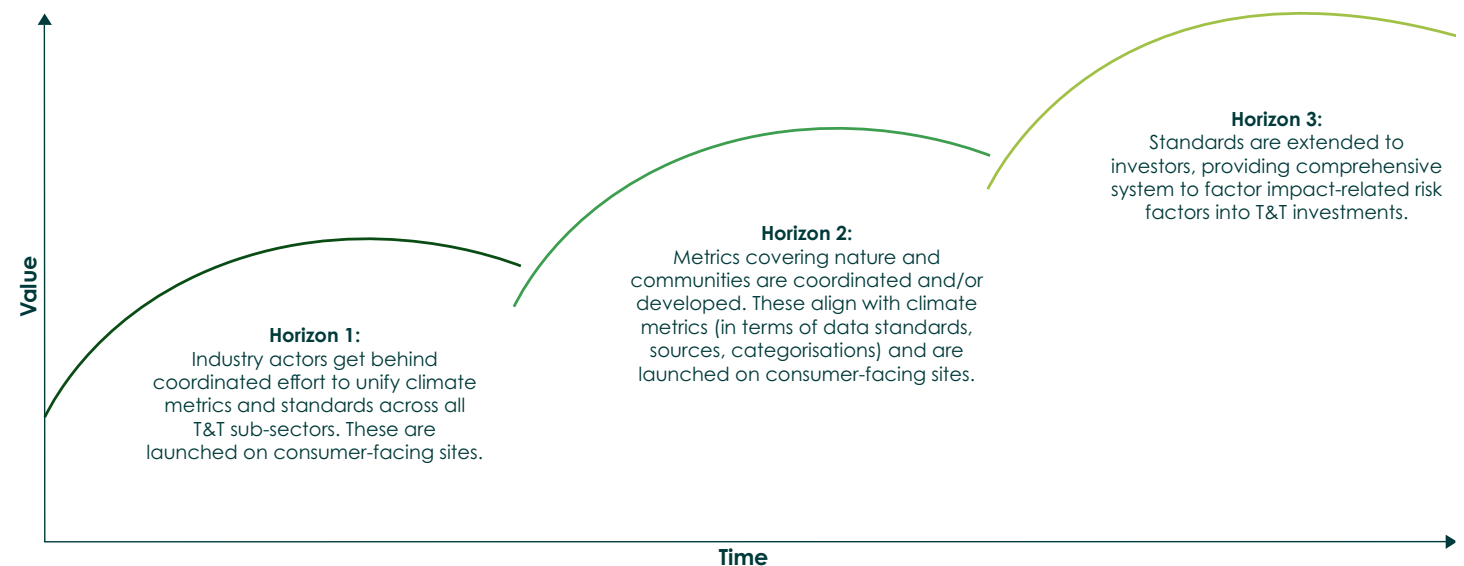
This initiative would not seek to establish new standards. Instead, what's needed is coordination behind a single effort, supporting leaders in this huge endeavour and collaborating to ensure that these efforts represent T&T as a whole.

WHO

Existing initiatives to build on include:



3 HORIZONS



The agenda proposed in this report offers T&T a route to becoming the best that it can be by 2050: a thriving, strategically important industry across the world, recognised as a leading force in tackling climate change, regenerating nature, creating quality jobs and bringing people together. This is T&T's chance to drive the solution rather than be seen as part of the problem. Delivering the agenda will secure a better future for T&T and all its destinations, established, new or as yet undiscovered.

The opportunity is huge. The time to seize it is now.

ENDNOTES

Executive Summary

- 1 Systemiq analysis based on World Travel and Tourism Council, McKinsey and Statista data
- 2 World Travel and Tourism Council. (2021). *Economic impact report*.
- 3 Assuming household members in addition to T&T employee, based on average household size of 4.9. 20% Of T&T employees live together and share a household and 80% of T&T employees have separate households. Based on: Kramer, S. (2020). *With billions confined to their homes worldwide, which living arrangements are most common?* Pew Research Center
- 4 Systemiq analysis, see Technical Annexes 1 and 2
- 5 Rogelj, J., D. Shindell, K. Jiang, S. Fifita, P. Forster, V. Ginzburg, C. Handa, H. Khesghi, S. Kobayashi, E. Kriegler, L. Mundaca, R. Séférian, & M.V. Vilariño. (2018). Mitigation pathways compatible with 1.5°C in the context of sustainable development. In V. Masson-Delmotte, P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, & T. Waterfield (Eds.), *Global warming of 1.5°C. An IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* (pp. 93-174). Cambridge University Press. doi:10.1017/9781009157940.004
- 6 IUCN. (2011). *Impacts of hotel siting and design on biodiversity in the insular Caribbean: a situation analysis*
- 7 International Labour Organization. (2022). *The future of work in the tourism sector: Sustainable and safe recovery and decent work in the context of the COVID-19 pandemic*
- 8 World Bank. (2022). International tourism, number of arrivals.
- 9 Global Rescue and World Travel & Tourism Council. (2019). *Crisis readiness: Are you prepared and resilient to safeguard your personal destinations?*
- 10 World Travel and Tourism Council. (2017). *Caribbean resilience and recovery: Minimising the impact of the 2017 hurricane season on the Caribbean's tourism sector*.
- 11 United States Environmental Protection Agency. (2016). *Climate change indicators: Snowpack*.
- 12 McKinsey (2020). *A Mediterranean basin without a Mediterranean climate?*
- 13 World Resources Institute. (2021). *Building a sustainable coastal and marine tourism economy*.
- 14 Parveen, N. (2022, October 13). Travel industry warned "tackle climate disaster before it's too late." *The Guardian*.
- 15 Becken, S. (2021, February 19). Tourism desperately wants a return to the "old normal" but that would be a disaster. *The Conversation*.
- 16 Thompson, D. (2013, February 28). How airline ticket prices fell 50 percent in 30 years (and why nobody noticed). *The Atlantic*.
- 17 Arup, Gleeds, IHG Hotels & Resorts, Schneider Electric. (2021). *Transforming Existing Hotels to Net Zero Carbon*.