

# The winds of change



## Does climate change spell crisis or opportunity for the tourism industry?

The 2006 Stern report concluded that, “the scientific evidence is now overwhelming: climate change presents very serious global risks, and it demands an urgent global response.” The business community must also consider these risks and determine its response, and the tourism industry is likely to be impacted more than most.

### Winners and losers

As the world gets hotter there will be winners as well as losers in global tourism, varying according to geographic location, service type and target consumer market. For many organisations, tomorrow's outcomes will depend on the decisions they take today.

The full extent of climate change is still uncertain and will be affected by how quickly the world acts to reduce its carbon footprint. However, whatever future action is taken to minimise emissions, many changes appear to be already ‘locked in.’

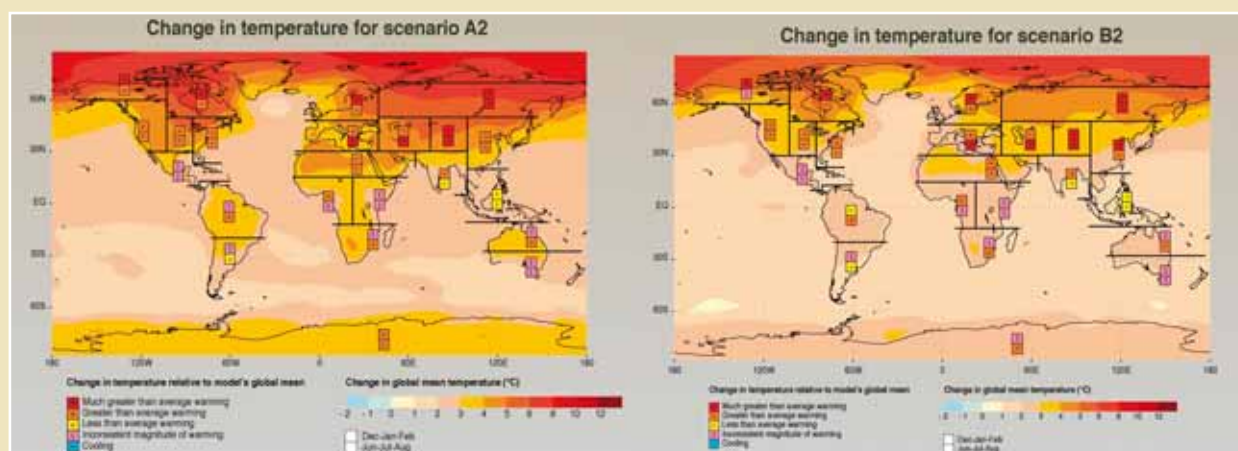
The Intergovernmental Panel on Climate Change (IPCC) has ‘very high confidence that the global average net effect of human activities since 1750 has been one of warming.’ However, temperature increases are not taking place evenly across the world. While many countries will get warmer, others will remain stable or even decline in some cases.

### Northern impact

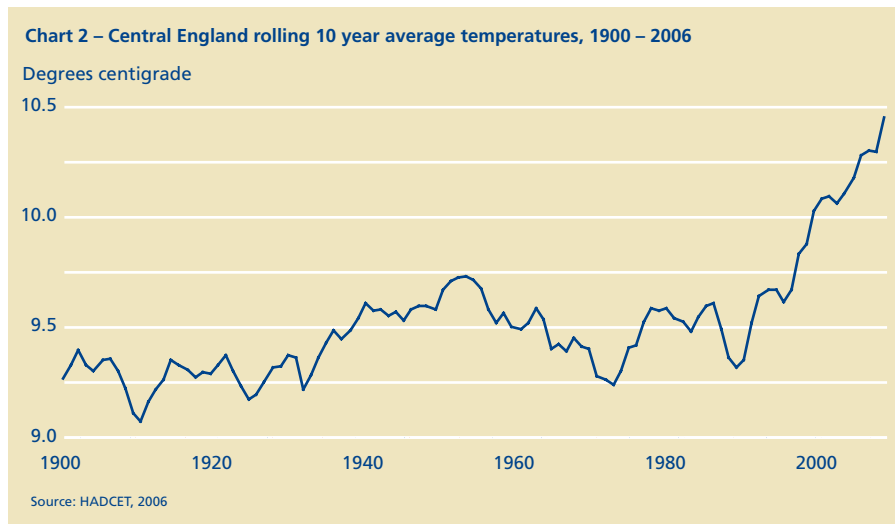
The IPCC has calculated two different possible outcomes, varying according to levels of future greenhouse gas emissions. (see Chart 1 below)

Global warming is expected to have most impact on the Northern Hemisphere, leading to more temperate climates in Canada, the UK, Scandinavia and Russia. These destinations could benefit from an increased appeal to travellers seeking to escape the sweltering temperatures forecast for parts of continental Europe and the United States.

Chart 1 – Scenario A2 has higher future greenhouse gas emissions than Scenario B2.



Source: IPCC, 2001.



with major implications for regional tourist authorities.

Warmer ocean temperatures and melting polar ice caps will cause sea-levels to rise in many parts of the world, impacting on many areas which rely economically on tourism. Florida and the Caribbean are likely to suffer more frequent and severe hurricanes like Hurricane Katrina which devastated New Orleans in 2005.

Elsewhere, retreating shorelines and coastal flooding could lead to seaside property subsidence and erosion in tourist hot spots such as Venice, which already faces uncertainty about its future.

**Green holidays**

Climate change threatens many destinations and types of holiday, but ecotourism may turn out to be one of the winners. A growing environmental consciousness should create demand for more green travel products which promote and safeguard the natural world.

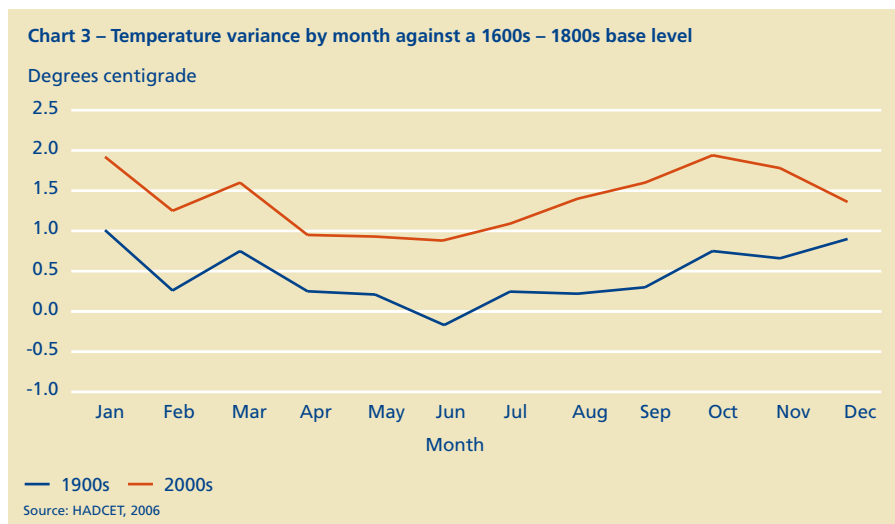
The ecotourism industry in endangered regions such as Iceland and Greenland may grow in popularity, and more destinations are likely to develop similar low impact, awareness-raising types of holiday, such as whale watching. The fast growing gap-year market is stimulating demand for tourism experiences which combine travel with work opportunities to improve the environment.

In the short term, the majority of travellers may continue to prioritise value for money ahead of concern for the environment, but a growing awareness of climate change could lead to a shift in priorities.

**Low cost low emission**

The concept of ‘carbon neutral travel’ is being popularised by celebrities and dignitaries such as rock band Coldplay and the Queen during her recent visit to the United States. A number of travel companies are already following this lead by encouraging air passengers to ‘offset’ carbon emissions by making donations to renewable energy schemes and reforestation projects.

In future, companies may offer integrated products combining the cost of the holiday with a built-in carbon offset charge, an approach which has proved successful in selling motor vehicle insurance. The first operator to devise the ‘low cost, low emission’ holiday concept is likely to have an advantage.



Scientific evidence suggests that the UK will have increasingly warmer, drier summers and milder, wetter winters with increased risk of severe flooding. Annual temperatures have been rising in central England for over a century, but the pace of change has surged dramatically over the past 20 years (see Chart 2 above). UK temperatures are rising throughout the year, with the most rapid increases recorded during the autumn and winter months. (see Chart 3 above)

**Costa Del Scarborough**

The magnitude of this change is considerably larger than elsewhere in the world and presents new opportunities and challenges for the UK tourism industry. British holidaymakers traditionally travel south in search of sunnier climes overseas. Better weather prospects at home may entice many Britons to opt for domestic holidays, where their numbers could be swelled by an influx of continental Europeans.

Significant investment will be required to rebrand UK holiday resorts and create holiday experiences to attract tourists if ‘Costa Del Scarborough’ is ever to become a reality. Rising temperatures could also lead to changes in types of holiday. For example, Scotland’s skiing industry may be replaced by activities such as mountain biking and walking holidays.

**Storm clouds over the Med**

The UK tourism industry may benefit from climate change, but this gain is likely to come at the expense of overseas destinations traditionally popular with British travellers such as Spain, Florida and the Caribbean.

Mediterranean coastal tourism could be under serious threat. A combination of searing hot temperatures and lack of air-conditioned infrastructure may deter summer sun-worshippers. Holidaymakers may prefer to visit the Mediterranean in the pleasanter conditions of spring and autumn,



**New Orleans following Hurricane Katrina, looking towards Lake Pontchartrain**  
 Source: United States Coast Guard, 2005

**Under pressure**

Air travel faces mounting criticism. Aviation is currently only responsible for around 2% of global CO<sub>2</sub> emissions but its share is expected to increase faster than that of other industries. Rapid growth in airport passenger volumes is eroding the fuel efficiency gains made by airlines. (see Chart 5 below)

The UK Government's decision to double Air Passenger Duty to £10 on short haul flights from February 2007 in order to tackle aviation emissions is likely to have little impact on consumer behaviour. A 'carbon tax' of US\$100-200 (£50-100) per flight may have more effect were this to be applied in future. Although air travel continues to expand there are some signs of a shift in attitudes.

A Guardian/ICM survey in May 2007 revealed that 13% of people no longer intend to fly because of environmental concerns, and around one third have reduced their number of flights, both short haul and long haul. Public opinion appears divided over the question of carbon taxes on flights with 30% wanting a reduction and 20% supporting an increase<sup>1</sup>.

**Window of opportunity**

If public opinion grows more critical of air travel the likely outcome is that more travellers will choose to fly shorter distances, primarily within the UK, then to continental Europe rather than further afield.

Domestic holidays will need to be evaluated in order to demonstrate that they actually do have a smaller carbon footprint over the entire holiday than trips involving longer distance flights. A growing number of green travellers may decide not to fly at all and holiday closer to home, providing another boost for the UK tourism industry.

The controversy over aviation could open a window of opportunity for bus, ferry and train operators to promote lower carbon alternatives to air travel which could appeal to environmentally conscious holidaymakers. For example, Eurostar has announced plans for a 25%<sup>2</sup> reduction in carbon emissions by 2012, by reducing electricity consumption, switching to greener energy sources and improving capacity utilisation.

If these modes of transport are to become viable alternatives to air travel they will have to address common complaints about the frequency and quality of service, as well as concerns about journey times and the economic costs as opposed to the environmental costs.

**One-stop solutions**

Deloitte has formed a partnership with the University of Reading National Centre for Atmospheric Science – climate programme – and its 150 research scientists to develop one-stop solutions for assessing the business performance implications of climate change and devising strategies to respond.

Together we provide advice to clients in many industries on the impact of global warming on a wide range of problems ranging from flooding, which may affect regional property values, to crop growing and drought, which have supply chain implications.

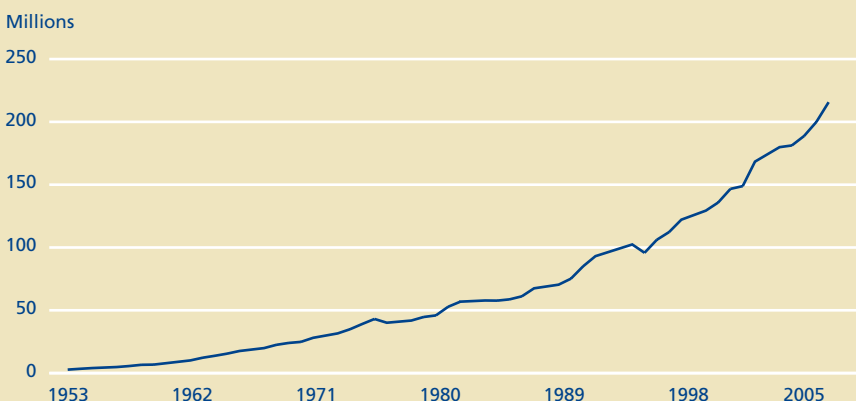
The advance of climate change will impact the personal lives and business interests of millions across the globe, travellers and tourism operators alike. The future is uncertain but the tourism industry needs to act now if it is to minimise risk and maximise opportunity in the years ahead. ●

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1. Eurostar sets 25% emissions reduction goal, Guardian Unlimited, 17th April 2007  
 2. Flying addicts take dim view of air taxes in poll, The Guardian, 26th May 2007

**Chart 5 – Terminal passengers at UK civilian airports**



Source: Department for Transport