



*"It no longer matters whether climate change is real or fiction.
Congress has gotten the message and legislation is coming."
-- Prominent Washington Environmental Expert*

Overview

Around the world, the status of the environment is a top public policy priority. Washington is no exception. Regardless of your personal views on climate change, bi-partisan lawmakers are preparing significant legislation that addresses the environment and the role of private industry. Although travel is not a large source of pollution, it is one of the most visible and discretionary sources, making it a relatively easy target for those concerned about environmental policies.

If global trends hold true in the U.S., the travel industry's impact on the environment will be front and center in the upcoming debate. For the travel community to maintain its viability, it must be prepared to engage on environmental issues at the local, state and national levels. We believe that the solutions we devise for ourselves now will be preferable to the ones imposed upon us in the future and that a united industry approach to climate change is imperative.

This document is intended to serve as a starting point for our industry's increased involvement in this pressing public policy matter. Beginning this year, the U.S. Travel Association (U.S. Travel) is making climate change a priority. We are assessing climate change policies around the globe, determining where our members may be at risk, collecting industry best practices and preparing our membership for a debate that is certain to come.

This document includes:

- An overview of the current political climate;
- A summary of where the travel community stands in the current debate;
- An analysis of the potential impact of current legislation;
- An assessment of the travel community's vulnerabilities in the environmental debate;
- A synopsis of the travel community's opportunities; and
- Best practices within the travel community.

Political Climate

Due to a "perfect storm" of factors, climate change policy is upon us. Growing public concern, extensive media coverage and expanding legislative reforms at the state and local levels have led an increasing number of federal lawmakers to believe that the time is ripe for aggressive and mandatory controls to protect the environment.



- **Congress** – Senate Majority Leader Harry Reid (D-NV) has identified climate change as one of his top three legislative priorities. Speaker of the House Nancy Pelosi (D-CA) believes climate change legislation is critical and has deputized Congressmen John Dingell (D-MI) and Rick Boucher (D-VA) to develop a House bill that can make it to President Bush's desk by year's end. While that may be overly optimistic, the groundwork will be laid in the coming months for whatever bill moves in this or, more likely, the next Congress.
- **Administration** – President Bush has, until now, publicly rejected the one measure that many consider vital to reversing warming trends – a mandatory “cap and trade”¹ program on carbon emissions – but, there are strong indications that Administration officials are now reassessing the issue. Although significant activity is unlikely in 2008, the framework for future legislation is now under construction and there is a possibility that a catastrophic climate event such as Hurricane Katrina could spur immediate action.

Whatever happens this year, it is likely that the next administration will be eager to enact climate legislation. Presidential candidates Hillary Clinton, Barack Obama and John McCain all favor aggressive action on the issue.

- **Private Industry** – Industries most affected by a regulatory regime are evolving their stance from opposition to constructive engagement, trying to shape future federal legislation. An example of constructive engagement is the U.S. Climate Action Partnership (USCAP), a coalition that includes 27 major multinational corporations, including the three U.S. auto manufacturers, three international oil companies, six major utilities plus General Electric, Dow Chemical, DuPont, Xerox, Johnson & Johnson, American Insurance Group (AIG) and others. These organizations are working hand-in-hand with groups like the Sierra Club and the Natural Resources Defense Council.

Where the Travel Community Stands

By and large the travel community has been on the sidelines during recent discussions over various climate change reforms. While airlines have played a limited role in these talks, to our knowledge no other sector of the travel community has taken a hard position on any of the proposed methods to reduce greenhouse gases and curtail travel's impact on the natural environment.

¹ A “cap and trade” system sets limits on total emissions, and then assigns a cost to pollution. Companies that pollute less than the cap can sell or trade what are essentially pollution “credits” to those who exceed the cap.



It does not appear likely that any form of travel rationing is on the horizon. But it is quite plausible that new fees and charges may be applied to various forms of travel (air, motor coach, auto, cruise, hotel stays, etc.) to pay for environmental mitigation efforts.

The core policy position – agreed to by organizations that are not in the travel community (such as USCAP) – is the following:

- Cap and ultimately reduce green house gas (GHG) emissions by up to 80 percent;
- Provide emission allowances to current emitters, but an increasing portion of the emissions allowances should be auctioned; and
- Balance the economic impact of cutting emissions by funding technology development with the revenue generated through auctioning emission allowances.

The travel community would be significantly affected by these reforms. Without a voice in the current debate, we are extraordinarily exposed.

Impact of Current Legislation

Climate change legislation pending in Congress could have enormous impacts on virtually all sectors of the economy and will affect business decisions for the foreseeable future. The United States Chamber of Commerce estimates that the impact on the economy will be upwards of \$1 trillion. Even reform proponents acknowledge that the annual value of carbon trading could rise to levels of \$50 billion to \$150 billion. This represents a huge shift in wealth as money flows away from older, dirtier technologies to newer, cleaner technologies.

Specific impacts for the travel community and the economy as a whole could include:

- Significant increases in costs for all forms of energy but especially energy generated from coal or petroleum, which are higher in carbon content;
- Near-term scarcities of natural gas as utilities shift toward this cleaner fuel; and
- Migration away from vehicles that burn fossil fuels to cleaner plug-in hybrid electric and fuel cell vehicles, and a far greater emphasis on mass transit solutions and urban planning to reduce vehicle miles traveled.

The travel community is certain to feel the effects of these changes as consumers shift where they travel, how they reach a destination and what they do once they arrive. We must anticipate and plan for these changes to prevent or mitigate their impact on our industry.



Vulnerabilities

Climate change and the debate around it leave the travel community vulnerable in a variety of ways, including:

- **Physical Changes** – Rising waters and disappearing beaches, the result of melting polar ice caps and water expansion from increasing warmth, are the most widely anticipated consequence of climate change. How will this affect the travel community? According to a report published in 2000 by the Heinz Center for Science, Economics and the Environment, at least one-quarter of the houses and resorts within 500 feet of U.S. coastlines may be lost to rising seas by 2060.
- **Industry Image** – With the travel community so closely involved with transportation and the environment, it will be placed under scrutiny by regulating agencies and the public. Simple public relations campaigns will not be enough to prevent unfavorable legislation and public opinion. Significant, legitimate and practical changes with regards to energy consumption, carbon emissions and resource conservation are vital to the success of travel in the future.
- **Consumer Expectations** – There are changes taking place in how Americans view the world around them and what they expect from government and private industry. New research shows that a growing number of Americans are willing to eat at environmentally-responsible restaurants and stay in environmentally-conscious hotels. As travel is so prevalent and fundamental across America, consumers will expect more from us, and at times, require more in the form of regulation or legislation. We believe that the most significant consumer expectations will include:
 - Emissions controls;
 - “Green” building;
 - Waste audits;
 - Water conservation; and
 - Use of vegetation.

Opportunities

This risk of an energy crisis is forcing our industry to re-think consumption levels, efficiency and the footprint we leave on the environment. We risk being demonized as a community if we do not act accordingly. But we also have enormous opportunities if we proactively address misconceptions and develop practical solutions for a sustainable future, including:



- **Increase Financial Competitiveness** – The financial incentive to act is real. Many studies show that the cost of action is manageable and far less than the potentially harmful effects of inaction. Not surprisingly, interest in preventing climate change is growing as the scientific and anecdotal evidence accumulates and the public becomes increasingly persuaded of the need to act. For example, according to the National Restaurant Association, 62 percent of adults would choose a restaurant based on its environmental friendliness.
- **Define Sustainability** – Many travelers are looking for a more eco-friendly travel experience but are unsure how to achieve it. The travel community can move beyond semantic debates about what defines “sustainable” travel and can use this opportunity to create a more environmentally-responsible travel experience by simply reducing energy consumption and waste, for example.
- **Enhance the Travel Experience** – It is possible that a “green” travel experience could be a better travel experience. The threat of Congressional action on climate change should serve as the impetus that drives hotels, resorts, theme parks, restaurants, attractions and transportation providers to “go green” in a way that impresses consumers and leads to an *increase* in travel.

The Travel Community's First Steps

Many elements of the travel community are becoming involved in eco-friendly initiatives that could prevent regulation and other threats and ultimately increase profits. Industry best practices include:

- **Restaurants** – Restaurants are energy-intensive operations, ranking as the service industry's largest consumer of electricity. But restaurants across the country are taking steps to reduce their carbon footprint. The National Restaurant Association has established a Green Task Force and plans to launch its “Serve and Conserve” initiative in the spring of 2008. In an era of ever-growing cost pressures, studies show that becoming ecologically friendly ultimately makes good business sense.
- **Hotels** – Although many efforts are in their infancy, Hilton, Marriott, Wyndham and others are encouraging the building of eco-friendly and energy efficient hotels to meet the U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) standards. MGM MIRAGE is currently building the world's largest LEED certified development – the City Center project – in Las Vegas. In addition to better building practices, many hotels are enacting recycling programs for construction waste, locating their properties near mass transit, planting water-efficient landscaping, choosing low-energy lighting and elevators, and covering



rooftops with tiles made from recycled tires. Marriott International recently announced that more than 85 of its hotels will soon earn the EPA's "Energy Star" label.

- **Airlines** -- Major airlines have begun to expand and publicize their green initiatives, which include reducing fuel usage, changing the type of fuel they use, and streamlining aircraft design and operational efficiency. For example, Qatar Airlines recently signed an agreement enabling it to be the first carrier in the world to use environmentally-friendly gas-to-liquids (GTL) kerosene fuel. Because aircraft fuel accounts for about 40 percent of an airline's operating cost, using this type of fuel has also positively affected the airline's bottom line. According to the International Air Transport Association, airlines are aiming for a 25 percent fuel efficiency improvement by 2020, with the ultimate aim to be carbon neutral.
- **Theme Parks** – The three major theme park companies all have environmental programs. The Walt Disney Company formed an Environmental Policy Division in 1990, which is focused on education and conservation. Universal Studios Parks and Resorts has major recycling programs within its parks, uses eco-friendly cleaning products and features the largest solar paneling system in any theme park. Busch Entertainment also has well established programs in areas such as recycling, renewable energy, and wildlife and water conservation.
- **Auto Rental** – Car rental companies such as Enterprise and Hertz are responding to consumer demands for more environmentally-friendly business practices. They are purchasing carbon credits, have active recycling programs and environmental management systems, and are adding thousands of fuel-efficient and hybrid vehicles to their fleets. The Avis/Budget Group is engaged in all of these same activities and also offers rental vehicles equipped for electronic toll collection in more cities than any other company, which helps reduce auto emissions.

The handful of examples cited above demonstrate how the travel community is taking initial steps to address climate change, energy consumption and resource conservation in a responsible fashion.

It is important for the travel community to learn lessons from its various sectors in order to ultimately develop a unified response toward government policy.

Conclusion

This document is only the beginning of a dialogue between U.S. Travel and its members on climate change policy. This discussion must continue as all levels of government move to address the negative effects of human activity on the environment. For U.S. Travel to continue its mission on



your behalf – to promote and facilitate *increased* travel to and within the United States – it will require all of us to support strategies and proactive actions that mitigate our industry’s impact on our world.

The time to learn, collaborate and act is now – before Congress and the states mandate new “solutions” without the travel community’s input. U.S. Travel will continue to provide its members information on travel and the environment and how you can get engaged to ensure our community’s long-term viability.