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The Hotel Yearbook
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**Unlocking the
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The Costs and Benefits of a Global Transformation to Sustainable Hotels

Shaping ESG Practices

Megan Epler Wood
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Synopsis

Megan Epler Wood writes that the journey toward sustainability in the hotel industry requires a multifaceted approach, balancing financial gains with environmental benefits. The article underscores the need for holistic, region-wide sustainable infrastructure projects, supported by public-private partnerships and concessionary finance packages. This coordinated effort is crucial for the hotel industry's transition to renewable energy and ecosystem protection, ensuring long-term resilience and sustainability.

The sustainability pathway for hotels has been trodden by many an expert, and an ever-growing generation of sustainability managers are looking at concrete gains and financing methods to lower energy costs and Greenhouse Gas (GHG) emissions to demonstrate both financial and environmental benefits.

Undertaking an analysis of the sustainability of hotel infrastructure requires a cost benefit analysis. Often the costs can outweigh the benefits in an annual financial review due to the need for substantial upfront investment. But the return on investment is increasingly evident. New research on hotel valuations found that upgrading to advanced heating and cooling systems (VRFs) powered by solar panels achieved savings of \$200K annually in larger hotels in urban areas and a higher valuation thanks to VRF systems which outclassed the competition ([source](#)).

Getting down to the brass tacks is essential to tackle any of the pathways towards Net Zero hotel operations. All such pathways will require financing. The Sustainable Hospitality Alliance is seeking to unlock more financing for green and resilient hotels. At the basis of this effort is a call for a global standard to identify high-quality sustainability initiatives. CEO Glen Manduick states that green financing is a crucial enabler to the vision of a Net Positive Hospitality industry. He notes,

To unlock green finance there must be transparency. Information sharing is imperative but there are challenges. Industry must have a global standard to identify high quality sustainability initiatives that are worthy of investment. (Source: [Hospitality Net World Panel](#))

It is always essential to recognize that the hotel world operates with branding agreements which may not provide clear pathways for local owners and franchisees. While strategies may be laid out for an energy transition, local hotel owners and franchisees often have trouble financing such ideas.

In the United States [Catherine Dolton](#), Vice President of Global Corporate Responsibility at the InterContinental Hotels Group (IHG) finds that the company must be honest with their hotel owners, that it is a challenge to become net zero and that it takes investment and support and incentives from governments to make it work. In this case, Dolton worked with franchisees to take advantage of the historic Inflation Recovery Act (IRA) in the U.S. She notes,

Following our targeted lobbying efforts with key White House Officials, U.S. agencies and Members of Congress, we helped to secure in the IRA an expansion to the Energy Efficient Commercial Building Tax Deduction (Sec. 179d) and create an

Investment Tax Credit for renewable energy. This will offer greater value to owners making retrofits to aging systems and drive down costs while supporting IHG's broader Journey to Tomorrow emission reduction targets." ([source](#))

Importantly, Dolton notes that Energy Conservation brand standards are now being built into all IHG hotels in the Americas. She realizes that many hotels have capital constraints and for this reason IHG has partnered with an intermediary company to help them get financing and move ahead with the revamping required to meet updated energy standards.

Another major brand, Accor, successfully placed its first bond issue indexed to the Group's sustainable development goals for \$700 million with a coupon rate of 2.375%. These bonds are indexed to the Group's greenhouse gas emission reduction targets – 25.2% for Scopes 1 and 2 and 15.0% for Scope 3 – by 2025 versus 2019. It is very important to note that using Scoping measures for GHG emissions makes Accor's actions easier to reference for other brands and for regional initiatives. ([source](#))

But there is a problem to solve on a large scale. Capitalizing the new infrastructure required to meet Paris Climate goals and the sustainable infrastructure needs of many destinations will not be obvious or simple. There is a long way to go. Realistically, hotels will need to be part of a much larger effort, at the destination level, to bring more sustainable infrastructure to a wide range of regions.

Hotels could gain economy of scale to solve key sustainability problems by working with Smart Cities, which maintain vital data on progress towards sustainability. In future, destination-wide programs to build and finance sustainable infrastructure for energy, waste, wastewater, and water management will need to be calculated based on rates of return for both cities and hotel companies, as part of the work to create a well-managed destination, ensure resilience, and support on going hotel improvements. Such work requires green financing to manage renewable infrastructure at scale. Once it is understood that hotel financing is part of a larger project to finance renewable infrastructure at the destination level, the cross-sectoral dialog on improving tourism's sustainability can lift off! Next steps to achieving concrete goals will require astute management at both the hotel and regional government level, where owners and corporate brands need to come together to finance their larger ambitions in coordination with regional agencies seeking to do the same.

Overall, the financing for managing the hotel ecosystem in regions around the world, especially in coastal areas, will require holistic thinking and specialized concessionary finance packages, where there can be asset protection and green financing for resilience results. This is especially critical to hotel industry survival in coastal areas where the climate crisis is ever more evident. Given coastal and marine tourism constitutes roughly 50% of all global tourism, there is every reason for the hotel industry to immediately analyze their assets at risk and work towards both renewable energy and ecosystem protection packages which can protect them in a crisis.

The beginnings of such packages to lower risk and build resilience can be found in the field of conservation finance, where billions of dollars in investments are being made by major corporations, such as Apple, Procter & Gamble, and Unilever. They are creating portfolios with major NGOs such as the Nature Conservancy and Conservation International to invest in climate, nature, and resource efficiency projects at scale via public-private partnering at the local level.

Is there the possibility of a global financing system to lower the total footprint of global hotel chains as part of global ecological restoration and infrastructure renewal? It is not out of the question. But this will require advanced collaborative strategies between hotel corporations, consistent metrics across platforms, and public-private investment systems.

The various pathways to achieve net zero outcomes for hotels often lie in cost-benefit spreadsheets for annual financial decisions. The steps along the way will increasingly require joint projections with regional entities for regional infrastructure improvement. This will also entail unpacking all possible incentive opportunities and sourcing best-in-class concessionary finance packages with low loan interest rates for local hotel owners. A review of several investment and incentive strategies at scale in key destinations is now needed to improve hotels' net zero outcomes at scale.



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Megan Epler Wood leads the international consulting firm EplerWood International (EWI) to design sustainable tourism development projects working in 40 countries and was the Founder and President of The International Ecotourism Society 1990-2002. She is the lead author of the 2019 report *Destinations at Risk; The Invisible Burden of Tourism*. Her 2017 book, *Sustainable Tourism on a Finite Planet* is used as a text worldwide. She presently acts as Managing Director of the Sustainable Tourism Asset Management Program (STAMP) at Cornell University in the Center for Sustainable Global Enterprise at the SC Johnson College of Business where she is leading the evolution of a sustainable tourism research and education center.

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