

Global Hospitality Insights

A publication for
the hospitality industry



Hospitality going green

 **ERNST & YOUNG**
Quality In Everything We Do

Hospitality going green

Since 1987, when the concept of sustainability was first mentioned on a coordinated international platform with the release of the UN-sponsored Brundtland Commission's "Our Common Future," the movement towards sustainability has expanded across the globe. Governmental and nongovernmental organizations, corporations and consumers are increasingly focusing on the need to exist in harmony with their surroundings and reduce their environmental footprints. The hospitality industry is no exception, and finally, the concept of sustainability has begun to gain momentum in this sector.

The global environmental certification program for the travel and tourism industry was developed in 1996 by three international organizations: the World Travel & Tourism Council, the World Tourism Organization and the Earth Council. These organizations jointly launched an action plan entitled "Agenda 21 for the Travel & Tourism Industry: Towards Environmentally Sustainable Development." Subsequently, "Green Globe," a benchmarking, certification and performance-improvement program based on the Agenda 21 principles, was created. This program identifies the environmental and developmental issues which threaten the economy and ecological balance, and presents a strategy for transition to more sustainable development practices. Hotels receive "Green Globe" certification by addressing major environmental issues in key areas including: greenhouse emissions, energy efficiency, management of freshwater resources, ecosystem conservation, and waste water and solid waste management.

In addition to Green Globe and Agenda 21, the hospitality industry has an array of regional certification programs and initiatives developed by governments and private hotel companies. In this issue of Global Hospitality Insights, we explore sustainability in the lodging sector by exploring some of the major trends and programs initiated across the globe to encourage industry participation and implementation. Please note that we have included on p. 13 a glossary of terms used in this issue.

Hotel companies are increasingly encouraging environmentally friendly practices and embracing sustainability through both developmental and operational strategies. With initiatives such as education programs, reforestation programs, eco-resorts, the implementation of energy-efficient practices, and the development of buildings that comply with government-defined standards, the "greening" of the industry is a trend that is here to stay. Over the last decade, the movement towards ecologically sound tourism has swept across the globe; and the practices being implemented are as diverse as the different geographies. Hotel companies are being prompted by rising energy costs, government pressure, consumer expectations and the competitive landscape to increasingly make sustainability a top priority.

Greening the whiteboard: leading practices

Lodging companies have an increasing number of options to consider relating to sustainability. Following are some examples:

Government agencies

Tax incentives	Sustainability laws/mandates
Certification programs	Public/private sponsorship
Sustainability recognitions and awards	

Developers

Sustainable, structural, architectural and interior design	Sustainable certification
Green materials	Alternative energy/technology
Water conservation	Corporate partnerships
Energy efficiency	Integrating developments with natural environment

Operators

Educating guests and employees	Marketing initiatives
Recycling programs	Use of alternative energy and technology resources
Green brands	Resource reuse
Environmental protection programs	Alternative amenity offerings (i.e., bulk toiletries)
Waste management	Transportation alternatives
Social responsibility programs	Philanthropic initiatives

Contents

Asia	1
Caribbean	3
Europe	5
India	7
Latin America	8
Middle East	9
Oceania	10
United States	11
Decoding green	13

In Asia...
Resort brands and boutique hotels focus on corporate social responsibility and environmental harmony.

Asia

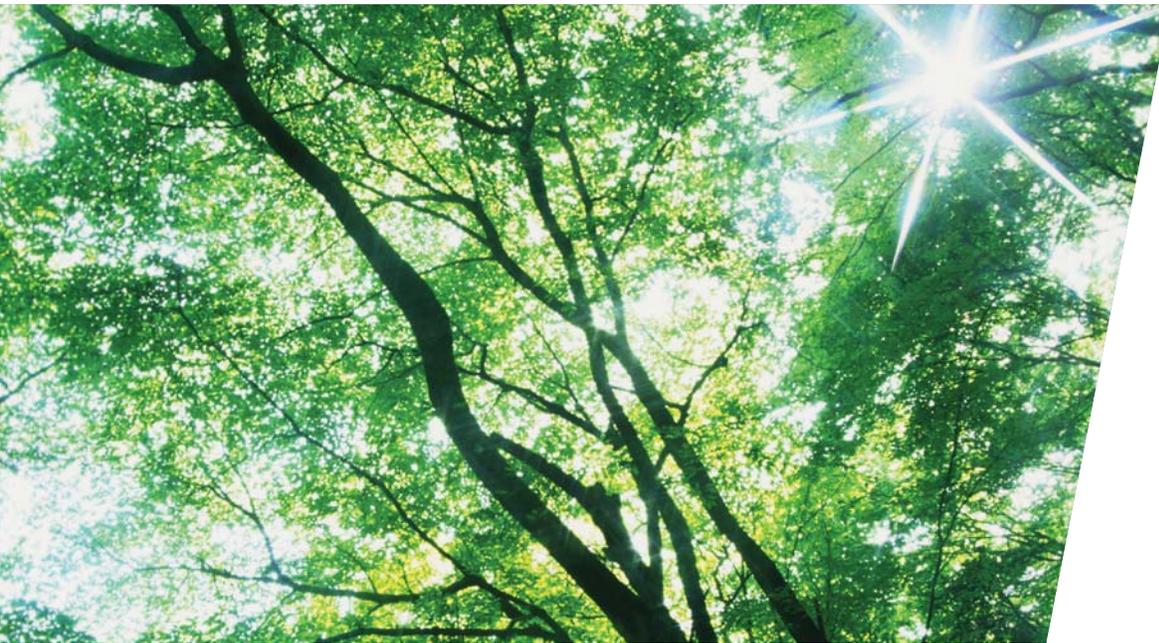
Asian organizations actively supporting green hotels

Hotels in Asia began to adopt green hotel practices more proactively with the establishment of the Asia-Pacific Hotels Environmental Initiative (HEI) in 1994 by 16 large hotel chains in the region, including the Shangri-la Hotels & Resorts, the Mandarin Oriental, and Okura Hotels and Resorts Worldwide. HEI is an initiative of the United Nations Department of Economic and Social Affairs' Division of Sustainable Development that began in 1993 and was initiated by the Prince of Wales' International Business Leaders Forum. In Southeast Asia, the Association of Southeast Asian Nations (ASEAN) has developed the ASEAN Green Hotel standards and honors hotels that meet the standards with ASEAN Green Hotel recognition awards.

The rise of brands with green strategies at their core

With support from these various groups, many hotel chains in the region, such as the Six Senses Resorts and Spas based in Thailand and the Banyan Tree Hotels and Resorts based in Singapore, have established green initiatives as a main component of their strategies. The Banyan Tree considers corporate social responsibility (CSR) as a core part of its business. The company has developed environmental programs in the Maldives and Seychelles for marine conservation, in Phuket for gibbon rehabilitation, and in Bangkok for elephant protection. The company also created community outreach programs, such as programs for Thalassaemia education in the

Maldives and dengue eradication in the Bintan Island in Indonesia. In addition, the company supports indigenous artistry through Banyan Tree Gallery, its retail arm that markets local arts and crafts at Banyan Tree hotels. To continuously improve the company's CSR initiatives, Banyan Tree tracks its performance and publishes an annual sustainability report. Another company, Six Senses, with its core purpose, "to create innovative and enriching experiences in a sustainable environment," follows a hub and spoke model to align corporate sustainability policies with the resort-level initiatives. At the corporate level, the company dedicates three people, a "Social and Environment Coordinator," an engineer and an environmental analyst, to administering sustainable policies. At the property level, each resort has a full-time Social and Environment Coordinator to lead the property's sustainability initiatives. Although the company's sustainability department is centralized, many projects are initiated by line-level resort staff. For example, the company's Dragonfly Habitat Project was suggested by a staff member who knew a traditional approach to deal with controlling mosquito populations. Six Senses also contributes 0.5% of its revenues to its Social and Environmental Responsibility Fund (SERF) of which 60% is spent locally by the company for sustainability projects¹. In the area of building green, the company uses materials from renewable sources, such as wood, adobe, mud and thatch. One prominent example of such green construction is the Six Senses Hua Hin Spa, Thailand, which is made of clay-like mud, straw and rice husks. Six Senses plans to make the company's flagship resort, Soneva Fushi, a zero-carbon emitting resort by 2010. Additionally,



the company is also launching a new brand, called Eva, that will be carbon-positive and LEED Gold Standard-certified.

Independent hotels embracing green

Across Asia, many independent hotels have also embraced green practices as one of their core strategies. Damai Lovina Villas in Bali, Indonesia, for example, has effectively reduced cost by decreasing waste and energy usage. The resort partners with a local research center that provides the resort with environmentally safe agricultural and household products. The resort's restaurant sources 80% of its ingredients from its own organic garden and local farms. By practicing sustainable farming, such as using permaculture to reduce water consumption and increase crop health, and composting in lieu of using chemical fertilizers, the farm was able to reduce crop production costs by 90% and increase crop production by 20%. The resort's recycling efforts have also eliminated the need to send solid waste to a landfill seven hours away. Another example of an independent hotel adopting green practices is the El Nido Resort in the province of Palawan, Philippines, which actively protects Palawan's giant-clam gardens and supports the reintroduction of endangered cockatoos.

Different hotel segments in Japan go green

In Japan, it's not only the luxury hotels, such as the Hotel New Otani, that are actively practicing eco-friendly policies. Business hotels, such as Tokyu Hotels Co., Ltd., and economy hotel chains, like the Washington Hotel Corporation, are also implementing such policies. In 2007, the Otani installed a new air conditioning and kitchen system, through which it targets a 14% savings in energy and a 30% carbon emissions reduction. The project also involved construction of a 2,800 m² green roof, wooden water storage tanks, a compost plant and a water recycling plant, which produces 1,000 tons of recycled water daily from kitchen sewage to be utilized in gardens or staff lavatories. Tokyu started a program in 2001 that allows guests to save green coins used for disposable toiletries and donate them to nongovernmental organizations for planting trees. Washington adopted an environmental policy in 1997 and launched an ISO 14001-certified hotel chain in 1998, called R&B.

CASBEE, the Japanese green building standard

Japan is following innovations established in Europe and the US to promote green construction. For example, Japan's Ministry of Environment is considering providing green

building tax breaks. In addition, the Japan Green Build Council and Japan Sustainable Building Consortium developed the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), which is equivalent to the Leadership in Energy and Environmental Design (LEED) in the US and the Building Research Establishment Environmental Assessment Method (BREEAM) in the UK. In addition to building standards, another organization that is fostering green hotel development is Eco Challenge, associated with the Green Product Network, which works to promote sustainability practices with Japan's hospitality industry. Eco Challenge provides eco-friendly hotel guidelines and green performance ratings for member hotels. As of September 2008, Eco Challenge has 288 member hotels.

China's government works to promote green hotel development

The first green hotels appeared in China in 2003 with the publication of China Hotel Association's standards for green hotels. As part of the greening effort, the target was set to develop 10,000 green hotels by 2010.² More recent developments in China's green hotels are overseen and regulated by the China National Travel Administration (CNTA), which is largely an extension of the "Green Olympics" campaign

In the Caribbean...
The Caribbean lodging sector has more
Green Globe certified hotels – primarily
all-inclusive resorts – than anywhere
else in the world.



of the Beijing Organization Committee for the Olympics Games (BOCOG). BOCOG drafted a list of environmental hotel requirements in 2004, which later became the basis for the now industry-standard green hotel requirements launched by CNTA in 2006. In 2007, 1,500 of China's 13,000 star-rated hotels have met CNTA guidelines and gained either a gold or silver leaf.³ However, of the 112 hotels contracted for the Beijing Olympics, only 52 were awarded leaves after the latest evaluation period in February 2007, largely because meeting green standards was voluntary.⁴ To encourage energy efficiency, especially since blackouts were not allowed during the Olympics, in July 2007, Beijing Vice Mayor Ding Xiangyang asked all Beijing hotel managers to keep room temperatures above 25°C and ordered older three-, four- and five-star hotels to clean out their air-conditioning systems. He also mandated that hotels with Beijing Olympics contracts meet green standards by the end of the year.

With increasing support from the government, Chinese companies are beginning to develop green hotel concepts. In May 2007, URBN Hotels & Resorts, a boutique hotel company based in Shanghai, entered into an agreement with Emissions Zero, a company that sells offsets greenhouse gas emissions. URBN plans to calculate the total amount of energy the hotel consumes, including staff commutes, food and beverage delivery, and the energy used by each guest. URBN will then purchase credits to neutralize its footprint by investing in local "green" energy development and emission reduction projects. Hotel guests can also choose to purchase carbon credits from the program to offset their own flights.

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1 <http://www.sixsenses.com/Environment/Social-and-Environment-Conscience.php> accessed 10/08/08.
2 Ibid and Anonymous, "China to Build 10,000 Green Hotels by 2010," *People's Daily Online*, 6 August 2005.
3 Anonymous, "Travelling Green," *China Economic Review*, 1 February 2008.
4 Ibid.

Caribbean

Eco-tourism in the Caribbean has existed for over 30 years, but environmentalists' decrees for mainstream sustainable tourism have had minimal impact on the overall region due to the lack of perceived investment returns and incentives associated with sustainable development and operations. As natural resources become scarce and as global warming causes climate change, the Caribbean is seeing a shift towards more eco-friendly practices driven by economic benefits and by the need to preserve the fragile ecosystem on which its tourism is so dependent.

Ecotourism remains small scale

The concept of "green hotels" in the Caribbean is thought to have begun with Stanley Selengut, in 1976, with the opening of Maho Bay Camp in St. John. Credited by many to have coined the phrase "ecotourism" (the idea that tourism revenue can promote conservation), Selengut developed an ecologically friendly 18-key tent resort (now 114 keys) that appealed to travelers willing to shed first-world conveniences for a more rustic experience. Maho Bay Camp utilizes low-flush composting toilets, spring action

faucets and showers, rain water catchments and solar-heated water to conserve natural resources and minimize the footprint that the hotel and visitors leave on the island. The resort's Trash to Treasures Art Center recycles the resort's waste materials into craft items. A few hoteliers in the Caribbean have taken advantage of an additional marketing opportunity to create a differentiated product through responsible development, such as Anguilla's 93-key CuisinArt Resort and Spa's hydroponic farm and organic gardens, which allows travelers to reduce their carbon footprint while enjoying luxury accommodations. Although other luxury ecotourism resorts modeled from Maho Bay Camp, such as 11-key Tiamo Resort in the Bahamas, 64-key Spice Island in Grenada, and 7-key Exotica Cottages in Dominica have continued to be successful within a niche market, the trend has not received significant attention from investors due to challenges associated with structuring finance due to the small scale of these operations as financing dollars tend to follow the more land-intensive mixed-use resorts that produce higher levels of profit.



Sustainability finds advocates among all-inclusive resorts

While ecotourism resort development remains low profile, sustainability has become a buzz word as more islands try to preserve their natural beauty. In 1997, CAST (Caribbean Alliance for Sustainable Tourism) was formed by members of the Association of Hotels of the Caribbean, in order to develop sustainable tourism throughout the region. CAST has successfully promoted the global initiative of Green Globe certification; as a region, the Caribbean leads the world in the number of certified hotels at 57 properties. Hotels receive "Green Globe" certification through addressing major environmental issues in key areas including: greenhouse emissions, energy efficiency, management of freshwater resources, ecosystem conservation, and waste water and solid waste management. Of the 57 resorts that have achieved Green Globe certification, an overwhelming majority are all-inclusive brands. Historically, all-inclusive resorts have been criticized as providing limited overall benefits to the local community. The trend towards becoming Green Globe certified and adopting responsible corporate policies may be an effort to counteract this perception. The operating structure of an all-inclusive resort, where profit margin is based on the hotel's ability to keep costs low and volume high, should support the adoption of sustainable policies, such as "implementing programs to minimize use of energy, water and nonrenewable resources," in order to reduce and control costs.

Passive governments, limited legislative support

Though political speeches regarding the importance of sustainable tourism are common by heads of state, strategies vary widely among Caribbean destinations. More often than not, limited legislature has been passed as many islands depend on tourism development for economic growth and are concerned overregulation may ward off developers. Examples of two islands that have implemented notable green initiatives are Barbados and Jamaica. In Barbados, properties upgrading to achieve Green Globe certification or fulfilling ISO 14001 standards may claim a tax write-off of up to 150% of the costs. In 2005, Jamaica passed the Tourism Enhancement Act, imposing a US\$2 to \$10 fee on all tourists. Collections are placed in a fund to be utilized for coordinating the Master Plan for Sustainable Tourism and the Tourism Product Development Company (TPDCo). The Plan, advocated for by the TPDCo, has developed curriculum for hoteliers regarding sustainable practices, facilitated financing for property upgrades to green standards and coordinated community-based beautification projects.

Necessity to increase sustainability's importance in the long term

As hoteliers see profit margins shrinking and costs rising, market representatives believe a quickened pace towards sustainability will become imperative to remain profitable. Due to its resource constraints, the Caribbean has long dealt with high operating costs. Market

observations and research suggests that energy can be up to 50% higher at Caribbean properties relative to comparable US hotels. In addition, hoteliers have noted an increasing interest among affluent travelers for a greener experience. While government initiatives may be limited in the short term as encouraging development is still high on political agendas, the long term is anticipated to bring a renewed interest in sustainable development.

In Europe...
Tour operators and agencies favor environmentally responsible hotels and brands, boutique hotels embrace “green” as a differentiator.

Europe

Environmental concerns have been at the forefront of the political agenda throughout the European Union (EU) since the Kyoto agreement was first signed in 1997. The EU goal of reducing greenhouse gas emissions by 8% by 2012, compared to 1990 levels¹ has ensured focus on the environment for all businesses, including hotel developers and operators.

Brand image

The lifestyle hotel sector was one of the first to embrace the green agenda, viewing it as an opportunity to differentiate itself; modern “eco responsible” hotels were developed to highlight the perceived novelty of the green revolution.

However, in recent years, other sectors of the hotel market have begun to adopt the green agenda. As the green movement becomes more mainstream, operators are realizing the potential purchasing power of this sector and are eager to appeal to this market.

For large brands, it is now considered essential to protect against adverse environmental press,

as the risk of damage to brand reputation is high. For example, TUI Travel plc, a leisure travel company, has used environmental criteria for its destinations, forums at trade shows and environmental publications since 1997, and in fact, some companies and government departments are constricted by ethical and ecological guidelines when making travel arrangements.

Cost savings

The first example of an environmentally friendly development with a cost-savings benefit was the appearance of cards in hotel rooms, requesting that guests reuse their towels. This was an “easy win” for the hotels as cost savings were made for virtually zero outlay.

Given the anticipated slowing growth of the hospitality sector, the focus on cost savings has again come to the forefront. In a world of increasing oil prices and rising utility costs, “going green” makes economic sense. Hilton Hotels across Europe have reportedly saved \$9m since the introduction of a scheme in 2006 to reduce energy and water consumption, along with significantly reducing their CO₂ emissions per guest².

Many EU governments have introduced enhanced capital allowances programs to incentivize businesses to follow eco-friendly capital expenditure policies, which for hotel operators may include pipe-work insulation and low energy refrigeration equipment.

In addition, some countries are mandating that new buildings be constructed to be energy efficient. For example, the German legislature requires the use of renewable energy in the building sector from 2009 forward, and increased the required level of energy efficiency of buildings.

The German Renewable Energy Heating Law (EeWärmeG) requires owners of newly constructed buildings to obtain part of the heating requirements from renewable energy sources. This can include geothermal, environmental energy, solar energy and biomass energy.

Long-term resolutions

While the measures outlined above are positive steps towards the achievement of environmental goals, it is by changing the design of hotels that lasting environmental targets can be attained. By using renewable local materials in the construction of new hotels, investing in solar panels to heat water and installing energy-efficient LED lighting, a hotel operator is contributing to environmentally friendly and sustainable design.

Several hotel companies are developing new methods of hotel construction to reduce time spent on site by carbon-generating machinery, and to save costs. Citizen M’s “Industrial Flexible Demountable” assembly technique means that hotel rooms are manufactured in a factory off-site and shipped to the destination for assembly. Travelodge has adopted a similar technique in the UK by developing a hotel in London made entirely from modified steel shipping containers.

Barriers to progress

It is often more economical to design a new hotel to be green, rather than to modernize an existing structure. There are many landmark hotels in Europe which are housed in traditional buildings with spacious rooms and large windows. This type of hotel is typically inefficient to heat, to cool, and critically, to modernize. Regulatory planning restrictions, the structure of the buildings, the ambience of the hotel, and the tastes of the clientele it hopes to attract, all pose restrictions to an environmental approach.

It is anticipated that EU governments will, as well as offering incentives for green buildings, start to penalize those buildings with large “carbon footprints.” Hotel operators will have to assess the financial costs and rewards of operating older hotels which may have strong demand for guests but that will soon also have higher costs.

In some regions of Europe, primarily emerging and hotel markets in their infancy in non-EU countries, sustainability is not yet prioritized. For example, the Russian hotel market, undersupplied

as it is, has not placed green construction on top of its hotel development agenda – and is unlikely to do so in the foreseeable future. It is not that the local developers are not environmentally conscious, but in a country with a notable shortage of quality lodging supply, developers and owners are busy engaging hotel chains to operate their properties, securing favorable loan terms and optimizing construction budgets. It is thought that building green is more expensive than traditional methods, and there are no incentives associated with costs for sustainable design that could in theory support feasibility.

As such markets mature, building sustainability into hotel projects, both at the construction and operation stages, may gradually become a common practice. Furthermore, the entrance of internationally recognized brands with sustainable practices already in place should help to expedite greening in such markets.

Outlook

The focus on green issues is not just a passing phase and is anticipated to continue for the long term. The difficult economic times facing Europe at present may actually help to drive the green

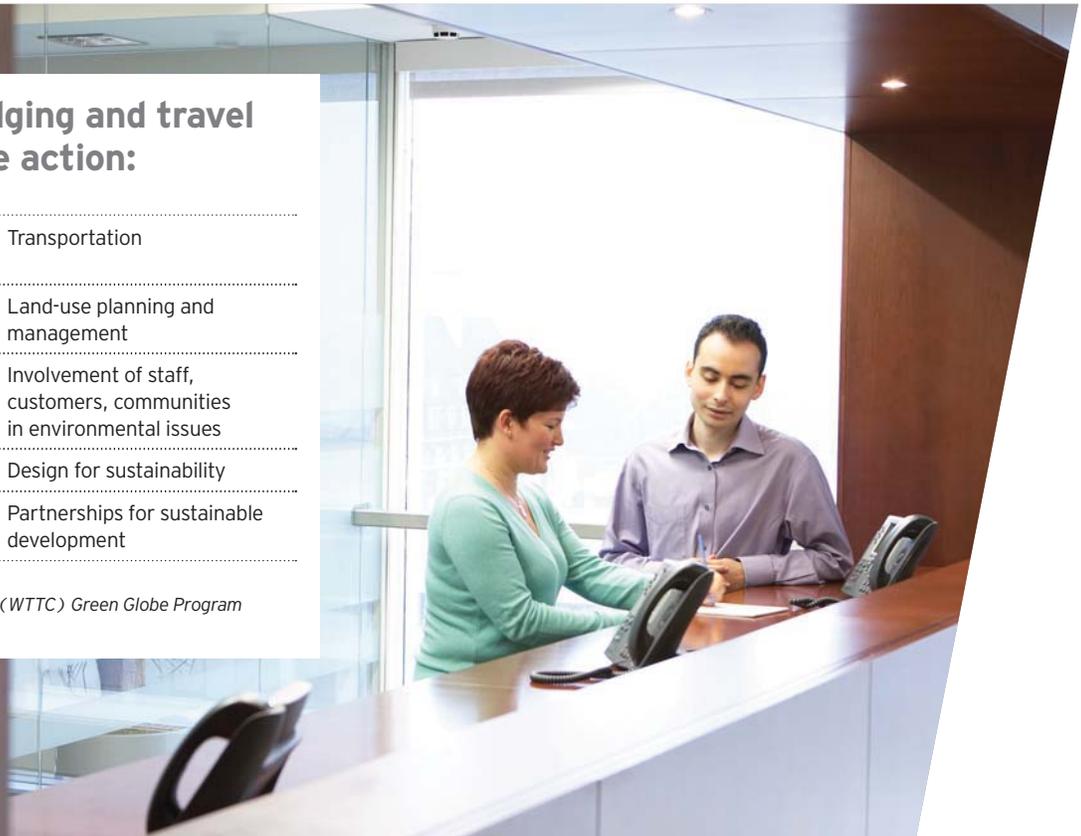
agenda. With operators competing for a static level of demand, an environmentally friendly program can be used as a differentiating factor, and with governments offering tax incentives for green investment, more sustainable projects become economically viable.

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- 1 Source: European Environment Agency www.eea.europa.eu/pressroom/newsreleases/eu-within-reach-of-kyoto-targets.
 - 2 Source: www.greenopolis.com/media/headlines/hiltons-european-hotels-cut-energy-use-10-percent-2007 18 April 2008.

10 areas in which lodging and travel operations could take action:

Waste minimization, reuse, recycling	Transportation
Energy efficiency, conservation, management	Land-use planning and management
Management of freshwater resources	Involvement of staff, customers, communities in environmental issues
Waste water management	Design for sustainability
Hazardous substances	Partnerships for sustainable development

Source: The World Travel & Tourism Council (WTTC) Green Globe Program



In India...

Largely driven by hoteliers, the government steps in to boost sustainable initiatives with certification mandates.



India

Almost a third of India's energy and water usage is consumed by commercial buildings, including hotels, thereby providing a significant opportunity to assess and accelerate the implementation of environmentally sustainable practices in the country.

Hotel chains pioneer sustainability

While major brands and hotel chains in India have often been associated with eco-friendly practices, the Orchid Mumbai, an independent business hotel, pioneered the initiative in the country by being established as Asia's first five-star "Ecotel" certified hotel in 1997. Currently, there are five Ecotel properties operating in India, with four more under development. Other industry firsts include Welcomgroup hospitality chain's ITC Sonar Bangla, Kolkata which was the first hotel in the world to obtain Certified Emission Reductions (CERs), or climate credits issued by the Clean Development Mechanism (CDM) Executive Board for emission reductions achieved by CDM projects and verified under the rules of the Kyoto Protocol.

Greening operations and construction

Go-green initiatives of Indian hoteliers span from construction design to operational planning. Rooms facing a shaded atrium to reduce glare, internal walls built of materials derived from fertilizer waste, rooftop swimming pools for heat insulation are some construction planning initiatives. Hoteliers are also increasingly looking

at achieving operating efficiencies through eco-friendly measures that help in saving costs. For example, under the Taj Earth¹ initiative, India's largest hotel chain, Taj Hotels, is working with EC3 Global, an international environmental advisory group to reduce its carbon emissions. Solar water heaters, low-energy light bulbs, reuse linen, use of renewable energy, recycled water and organic fertilizers in the gardens are some other operational examples.

Unlike developed countries, such eco-friendly initiatives are still largely hotelier-driven, as Indian customers are yet to consider such concepts as significant value drivers. However, growing entry of global brands and entry of foreign travelers is likely to propel such international concepts in the midterm.

Benefits and government initiatives

Not only have Indian hoteliers looked at such concepts out of social responsibility but they have also witnessed the commercial benefits of such an investment in the long run. However, the high capital investments that are necessary for such advancements make it only economically viable for premium hotels in India. Studies² indicate that premium hotels undertaking environment management practices achieve higher standards than the country's industry average across various parameters such as air quality, energy consumption, noise pollution, solid waste disposal, staff training on environmental issues, water consumption, etc.

Currently, technological advancements to incorporate sustainable practices also put a significant strain on hoteliers' finances. Energy efficient solutions will gain importance only if concepts like carbon trading and Energy Service Companies (ESCOs) are made increasingly popular in the country.

Moreover, such initiatives also need to be well supported by the state. While the government has been slow to react on eco-friendly issues, recent steps indicate a reversal of this trend. Government initiatives such as Energy Conservation Building Code 2007 are focused on preserving the environment. The code, which was launched in June 2007, specified the energy performance requirements for all commercial buildings that are to be constructed in India.

While the concept of global greening is nearly a decade old in the country, only recently has it picked up speed through government initiatives and increasing awareness. Realizing the long-term commercial benefits, Indian operators have also welcomed the trend. Sustainable practices are not only here to stay but are also anticipated to further become a focus of the hospitality industry in the near- to mid-term.

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1 Taj Earth: Environment Awareness & Renewal at Taj Hotels.
2 HVS FHRAI – Indian Hotel Industry Survey 2006-07.

**In Latin America...
From the Mexican coast to
the Amazon, niche-oriented
ecotourism and nature-based
tourism take center stage.**

Latin America

The private nature conservancy “RUES Eco Lodge Village” in the Amazonian region of Ecuador is arguably one of the first environmentally sensitive lodging developments in Latin America, having opened in the 1970s. In the past few decades, several other lodging properties have followed RUES’ example, and yet the “green movement” remains in its infancy. Though it is true that many urban hotels and resorts have become more environmentally friendly through the implementation of various initiatives (e.g., reuse policies for towels and linens, electronic room keys to control electricity consumption, nonsmoking premises), an important driver of these programs was the product of cost-cutting measures. More recently, however, the green movement has taken on a new role and is best represented by efforts at the destination level to promote nature-based tourism in the context of environmentally sustainable developments and eco-friendly resorts.

Costa Rica in the forefront

According to a recent study conducted by Yale and Columbia Universities, Costa Rica is the only country in the western hemisphere with an Environmental Performance Index above 90. Approximately 10 years ago, the Costa Rican Tourism Institute developed the Certification

in Sustainable Tourism (“CST”) program for tourism businesses based on the degree to which they complied with a sustainable model of natural, cultural and social resource management, the only such initiative in Latin America. To date, while only one hotel has achieved the initiative’s highest ranking (Lapa Rios, itself a pioneer for sustainability), many hotels and resorts have made it a priority to adhere to CST standards, most notably the Four Seasons Resort in Peninsula Papagayo, which recently was awarded high honors, a first among major, branded hotel operators in the region. Overall, since the CST program was adopted in 1998, total arrivals in Costa Rica have increased by 7.2% annually, one of the highest growth percentages in Latin America, arguably driven by the country’s success at marketing itself as a safe, environmentally friendly, nature-based destination, differentiating itself from other regional destinations.

Mexican initiatives go mainstream

In addition to exploring nature-based tourism as an attractive niche market and following the Costa Rican model of educating tourism businesses and pursuing an eco-friendly positioning, other destinations are also enticing the government to play a role. For instance, the Mexican Tourism Board recently introduced new incentives supporting conservation and community development while initiating educational partnership programs with travel agencies such as Expedia to point travelers towards eco-friendly retreats. One such retreat is Mayakobá, a 600-acre development in the Mayan Riviera with a delicate mangrove and tropical forest ecosystem. By securing international luxury lodging operators such as Fairmont, Rosewood, Viceroy and Banyan Tree, the project demonstrated that some form of sustainable development can co-exist with the needs of high-end brands. Another notable eco-friendly destination is Loreto Bay, an 8,000-acre development in Baja California, which markets itself as a sustainable community emphasizing its green building practices, community initiatives and dedicated nature preserve, which covers over 60% of the total land. Given the size of Mexico’s tourism industry and the large pipeline of future

projects, it is anticipated that the country will continue to serve as the playground for new forms of mainstream sustainable development.

Seclusion drives ecotourism

Green policies in other destinations in Latin America have been relatively limited, and are best represented by the efforts of specific resorts in more remote and secluded destinations. For instance, Explora Hotels and Tours in Chile focuses on achieving sustainability through an educational and unique experience and interaction between guests and nature, particularly in its new Eastern Island property, which has been built following LEED building standards. The Inkaterra Machu Pichu Resort and Spa uses hydroelectricity, as well as indigenous Andean ingredients and treatments dating back centuries, while Morgan’s Rock Hacienda and Ecolodge in Nicaragua is part of a 2,500-acre tree-farming and restoration project, and is surrounded by 2,000-acres of private nature reserve. Meanwhile, the Brazilian government is increasingly pushing major tourism players to diversify into niche ecotourism markets, particularly in the Amazon and Pantanal regions.

The future of “going green”

The future of the green hotel movement in Latin America is not without its challenges. Leisure lodging and tour operators continue to be at the forefront of the movement, while governments still lag behind in initiatives, particularly as it relates to the adoption of tax credits for green initiatives for fear of driving away necessary tourism investments. Costs concerns and know-how to “go green” are an additional element of complexity, although such costs are anticipated to decrease in the future and may ultimately be offset by the positive impact of utilizing the region’s rich nature diversity as the basis to attract higher levels of tourism. Overall, however, the green movement in the region continues to be concentrated in niche markets catering to leisure travelers, with a focus on the guest experience and rather passive vernacular green technology as opposed to the tech-heavy, urban driven green hotel movement observed in more industrialized markets.

**In the Middle East...
Mega-projects and zero carbon, zero waste cities, especially in the United Arab Emirates, are at the forefront of sustainable development.**

Middle East

Despite having more than 60% of the world's oil reserves and ironically deriving much of its wealth from fossil fuels, the Middle East, and in particular, the United Arab Emirates, have been aggressively seeking alternative energy sources and are actively developing sustainable mixed-use hospitality and real estate projects. Although the movement towards sustainability is in its infancy in the region, like many of the developments being built in the Middle East, recently unveiled projects are mega-developments, integrating advanced technology and ultra-modern design. Greatly supported by both public and private entities, the region is experiencing a significant movement towards sustainable development with prevalence of preservation and the development of alternative energy resources surfacing in large developments and planned cities, small luxury hotels as well as basic economy lodging.

Greening on a grand scale

In May 2008, Abu Dhabi launched Estidama, a green initiative devised to make Abu Dhabi the sustainability capital of the Middle East. Under Estidama guidelines, Abu Dhabi Future Energy Company is building the world's first zero carbon, zero waste city, named "Masdar City." The US\$22 billion project, which is master-planned by Foster + Partners, is anticipated to house 50,000 people when completed in 2015 and is anticipated to include an environmentally friendly and sustainable hotel. Other emirates are following the trend. In Ras Al Khaimah, Rem Koolhaas's Office for Metropolitan Architecture office is developing the "Gateway Eco City," an over-400 million-square foot development powered by cutting-edge solar power and designed to be entirely sustainable. Like Masdar City, the program consists of multiple retail, office, mixed-use, residential and hotel developments, among other buildings and uses. Dubai recently unveiled its mammoth ecological project "Mohammed bin Rashid Gardens," an 800 million-square foot project, estimated to cost approximately US\$55 billion, and to comprise four clusters and 73%

greenery. In July 2008, Dubai also launched an eco-initiative to encourage hotels to reduce their CO₂ emissions by 20% by 2011. The initiative focuses on conservation of natural resources and sensible use of energy, water and gas.

Luxury resorts pioneer the movement

The region's initial movements toward sustainability started more than a decade ago, albeit on a much smaller scale in comparison to the multiple master-planned eco-cities currently under development. It was the Al Maha Desert Resort & Spa, Dubai's most celebrated luxury resort, which pioneered environmentally friendly lodging in the Middle East. The resort, located within the 225-square-kilometer Dubai Desert Conservation Reserve, was awarded by National Geographic as one of the world's best ecotourism models. In addition to its construct which was built to represent a traditional Bedouin camp and embraces the indigenous culture, wildlife, desert habitat and environment of the region, Al Maha's environmental focus is expanded in other sustainable ways such as with the treatment of water which is fully recycled and returned to its groundwater source via a unique irrigation system. This resort, which is managed by Emirates Hotels and Resorts, has set a precedent in the region on how to make ecology work for hospitality.

Six Senses, a luxury resort hotel company, followed the environmental footpath by contributing to the conservation of the natural environment and supporting the well-being of communities in the Middle East by recently opening its Zighy Bay resort in Oman. The Thailand-based hotel company has created an environmental management system and Environmental & Social Sustainability policy that is integrated into each hotel it operates. The sustainability program consists of an Holistic Environmental Management Program (HEMP) aimed at the environmentally friendly operation of Six Senses' SERF. It is comprised of 0.5% of total revenue from each resort which is invested in initiatives for sustainable development, an environmental awareness and capacity development program as well as various corporate

partnership programs. It is anticipated that the company will open a second resort in the region, the Jordan Evason and Six Senses Spa at Ma'in Hot Springs by the end of 2008.

Greening made affordable

While ecological lodging in the Middle East has primarily been limited to luxury travelers, the recent launch of ECOS Hotels, Coral International's eco-friendly budget chain, allows ecological accommodation to be more accessible to all travelers. The region's first environmental-friendly budget hotel is expected to open in Dubai by 2009. Besides incorporating green practices such as energy efficient light bulbs, keycard-activated lights in guestrooms, and sourcing furniture from sustainable forests, in its operations, ECOS Hotels is teaming with international environmental conservation groups and emphasizes an efficient and economic hotel design in order to create a green approach to hospitality. Hospitality Management Holdings (HMH), the brand's parent hotel management company currently operates properties in the Middle East and North, South and East Africa. The group anticipates expansion into other markets with the target of operating 25 hotels by the end of 2008.

Celebrities partner for sustainability

Another innovative approach towards promoting sustainable hospitality is the collaboration between local developers and Hollywood celebrities. Zabeel Properties has commissioned Brad Pitt to design a new environmentally friendly hotel and resort. The five-star property is expected to have 800 rooms and will be located in Dubai. Similarly, Abu Dhabi publicized that actress Pamela Anderson is endorsing an ecological hotel in Abu Dhabi.

Supported by both public and private sectors, Abu Dhabi and Dubai are pioneering sustainability and green principles from small to large scale through long-term initiatives. It is anticipated that neighboring countries will likely follow in the near future.



Oceania

Oceania's hospitality industry has long been a world leader in sustainability, particularly in ecotourism. Oceania is seeing an increase in new conservation policies from both government and operators, particularly to address diminishing water supplies as a result of climate change and to protect native habitats, shifting from traditional ecotourism to even broader sustainable initiatives.

Ecotourism

A pioneer in ecotourism in Australia is the Kingfisher Bay Resort located on the World Heritage-listed Fraser Island. The resort, which opened in 1992, was designed to the highest environmental design and sustainability standards and was designed and developed after substantial research on surrounding environment and on the proposed resort's impacts. Buildings, carefully constructed around trees, were designed to be energy efficient and are restricted to two levels to promote environmental harmony.

Fiji's Turtle Island Resort, another early example of an eco-friendly resort, limits visitors to fourteen couples at any one time to reduce the environmental impact on the ecosystem. In addition, the resort has helped to restore the island's ecological diversity by planting 500,000 native trees and maintaining a four-acre organic farm, which provides the island with fruits and vegetables.

In Oceania...
Ecotourism remains prevalent
and marketing green initiatives
emerge on the country level.

Responsible and sustainable development

Greater emphasis on social responsibility is influencing business to initiate environmentally friendly designs in hotels and conference venues and to implement water, waste and energy minimization initiatives.

The Marriott International's Environmentally Conscious Hospitality Operations program has contributed to the efforts of the Surfers Paradise Marriott Resort & Spa in Australia. In a 12-month period, the hotel reduced water consumption by 35.5 megaliters, gas consumption by 2.9 gigajoules, and energy consumption by 1.2 megawatt hours by reviewing its operations, investing in new plant and equipment and involving staff which in turn resulted in savings of over AUD\$250,000. (US\$171,600)

The Sustainable Tourism Cooperative Research Centre recently released its first comprehensive measure of carbon emissions for the tourism industry, The Carbon Footprint of Australian Tourism report. The report identified that transportation is by far the greatest contributor to tourism's carbon footprint and accounts for 82.2% of tourism's GHG emissions.

Accor's Mercure hotels have partnered with the Carbon Reduction Institute for the first national carbon neutral offering from a major hotel chain in Australia. Emissions produced from conferences, specifically, heating, cooling, lighting, projectors, AV systems and food and beverage (cooking and refrigeration) are calculated and the Mercure Hotel then pays for these emissions to be offset. Currently the offsets being used are sourced from a waste facility that diverts the organic part of domestic waste from landfill and into compost. The decomposition of organic waste in landfill produces methane, which is 21 times more potent than CO₂.

Greener marketing

Greening initiatives are only just emerging as a key attraction for customers and being used by operators as a marketing tool. Major tourism

operators such as Flight Centre are providing customers with information about providers that support green travel and sustainable tourism.

In New Zealand, the sustainability message is promoted internationally by the "100% Pure New Zealand" advertising campaign. This campaign is reinforced by the New Zealand Tourism Strategy 2010 Implementation Fund which provides tools and assistance to implement sustainable practices at the individual business level to correlate with the national brand image.

Barriers

A number of barriers to implementing environmentally sustainable practices in Oceania still exist. These include implementation costs, the labor-intensive certification process and a lack of industry support/adoption. Most significant has been the lack of awareness of available financial incentives and potential savings that can be realized from reducing energy consumption and minimizing waste.

Many hotels are still not promoting their greening initiatives even though increasingly customers are prepared to pay extra for an environmentally friendly option.

Outlook

The emergence of mandatory greenhouse gas and energy reporting across Australia and New Zealand and the development of emissions trading schemes is likely to continue to raise the profile of sustainability and climate change issues for the hospitality industry in the Oceania region.

Government regulation is likely to impact the supply of new developments through minimum energy efficiency standards while greater disclosure will influence existing developments and operating practices.

In the US...

Lodging companies are building green and operating green, focusing on legislation and certification, and introducing green brands.



United States

Green practices in the US hospitality industry can be traced back to the late 1920s when lodging companies began recycling and reducing the use of fossil fuels. Until the 1950s, eco-friendly practices were primarily driven by economic factors, such as minimizing costs and waste; in contrast, the current environmental movement has gained momentum from new regulations, growing environmental awareness and media coverage.

Legislation, local initiatives, and the US Green Building Council (USGBC) as catalysts

Perhaps the most prominent piece of legislation passed on this subject over the past few years is the 2006 California State Law AB 32, which aims to reduce California's greenhouse gas emissions by at least 30% by 2020, and to further reduce emissions to below 80% of 1990-levels by 2050. At least 40 other US states are also taking action to combat global warming, including legislation around building codes which will likely have a strong impact on the hotel industry. In addition to state legislation to protect the environment, many states, including California, Florida, Maine, New Hampshire, Vermont and Wisconsin, have established their own green tourism programs to certify the environmental efforts of lodging, restaurant and other hospitality businesses.

Although the US does not currently have a federal-level green tourism initiative, the Travel Industry Association, in partnership with American Express, is developing a website called www.travelgreen.org that aims to consolidate best practices, case studies and other green tourism resources nationwide.

LEED certification (Leadership in Energy and Environmental Design, a set of standards developed by the USGBC) is one of the most obvious ways that hotels can benefit from green-related tax breaks and cost savings, as well as enhance their market appeal to customers who are demanding green products. Many states are rewarding developers of LEED-certified buildings with tax breaks. For example, the city of Springfield, Missouri is currently considering giving a 25% property tax break for 10 years to businesses that meet LEED standards.¹ In New Mexico, tax breaks range from \$9,000 to almost \$25,000 per project.² Operators can save on operational expenses as well, because LEED-certified buildings are more energy efficient. LEED-certified buildings have the ability to use 30% to 50% less energy than conventional buildings, 40% less water, and up to 70% less solid waste disposal.³ In a full-service hotel, a 30% to 50% energy savings is the equivalent of increasing

ADR by an amount from \$4.00 to \$4.67.⁴ Furthermore, TripAdvisor's 2007 ecotourism survey reports that 38% of surveyed travelers have stayed at an environmentally-friendly hotel, 9% specifically seek out environmentally-friendly hotels and 34% would pay more to stay at an environmentally-friendly hotel. Meeting space providers are also experiencing increased demand for green events from corporations that are integrating strict environmental standards that carry over to their suppliers for group events.

LEEDing the way

The first LEED-certified hotel in the US was the Inn & Conference Center at University of Maryland University College, completed in 2005. Since then, only a handful of hotels have successfully achieved LEED certification in the US, including the Hilton Vancouver, Washington, and the Orchard Hotel in San Francisco, California. The Palazzo Las Vegas Resort Hotel and Casino, owned by the Las Vegas Sands Corporation, became the world's largest LEED-certified project upon its completion in 2007. Currently, according to the USGBC, 451 hotels have achieved or registered for LEED certification. In addition, the American Hotel & Lodging Association ("AH & LA") is working with the USGBC to create a LEED rating system specific to the hotel industry. While



the majority of the hotels applying for LEED certification are in the luxury, upper upscale and upscale tiers, there are also a few midscale brands, such as Holiday Inn, La Quinta Inn & Suites, Fairfield Inn and Hampton Inn. The surge of interest in LEED certification appears to be driven by decreasing premiums for green building development costs, which a few years ago could run upwards of 20%. In 2006, Atman Hospitality Group, Inc., developer of Gaia Napa Valley Hotel & Spa in Napa Valley, California, reported a 15% premium to build the hotel,⁵ whereas the newer Gaia Anderson Hotel in Anderson, California is built to the same LEED standards as Gaia Napa Valley, but the cost premium has been reduced to only 5%.⁶

Greening operations

Aside from building green, hotels have become increasingly active in implementing green practices. Hilton Hotels Corporation saves water through towel reuse, retrofits hotel rooms with lower-wattage compact fluorescent light bulbs and benchmarks environmental performance. Marriott International focuses on clean air, wildlife preservation, waste management and cleanup campaigns. The company has also committed to reducing its energy use by 6% per guest room from 2005 to 2010, protecting 1.4 million acres of endangered rainforest, and reducing its global environmental footprint.⁷ Starwood's Aloft brand uses environmentally safe cleaning products and provides guests with parking spots reserved for hybrid cars. Walt Disney Parks and Resorts promotes environmental education

and communication between staff and guests. Xanterra, which operates several National Park lodges, recycles gray water and uses solar and wind energy. Some hotels are expanding the green movement to include principles of sustainable development. For example, the Willard InterContinental in Washington, DC engages in social improvement efforts, such as employee volunteerism and supplier diversity programs. Other hotels are incorporating programs to create healthier environments, including a progressive switch to nonsmoking hotels initiated by Westin hotels in 2006.

Green programs can provide a competitive advantage as long as green activities are still optional in the market. However, over time, green practices will become a baseline requirement to doing business in the hospitality industry, particularly as the cost of nonrenewable energy continues to increase. Thus, those companies with business models that revolve around green practices will have the strongest opportunity of achieving a "sustainable" competitive advantage. New brands, including Starwood Capital's "1" Hotel and Residences, Starwood Hotel and Resorts Worldwide, Inc.'s Element and Hyatt Corporation's Andaz, which feature LEED-certified buildings as part of their brand standards and offer a variety of green products, such as green spas and restaurants, are anticipated to initially test consumers' appetite for a greener lodging industry.

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 - 2 Nathanson, Rick, "Get A Tax Break on Remodels, Rehabs or New Projects," *Albuquerque Journal*, 29 June 2008.
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 - 4 Ibid, p.3
 - 5 How Global Warming Laws Will Affect Hotels: Will California's New Legislation Set the Standard for the Country? *Global Hospitality Advisor*, November 2007, p. 2 and "Hot in Pursuit of Gold LEED Certification, Gaia Napa Valley Opens," *Green Lodging News*, 31 October 2006.
 - 6 Ibid, p.3. and Mary Scoviak, "The Year Of GREEN; Find The Hotel Company That Is Not Waving The Eco-Flag. Green Is a Competitive Hot Button for 2008," *Hotels*, 1 January 2008.
 - 7 Ibid.

Decoding green

Following are definitions for some of the terms referenced in the preceding sections.

Advanced Ecotourism Certification: A certification program operated by Ecotourism Australia to identify genuine ecotourism and nature tourism operators in Australia.

BREEAM: Building Research Establishment Environmental Assessment Method; an assessment process created in 1990 in the UK for construction of sustainable buildings.

California State Law AB 32: A California state legislation passed in 2006, which aims to reduce California's greenhouse emissions by at least 30% by 2020, and to further reduce emissions to below 80% of 1990-levels by 2050.

Carbon offset: A financial instrument that can be purchased to compensate for greenhouse gas emissions.

Carbon neutral: The achievement of net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset.

CASBEE: Comprehensive Assessment System for Building Environmental Efficiency; a green building certification developed by the Japan Green Build Council and Japan Sustainable Building Consortium.

CAST: Caribbean Alliance for Sustainable Tourism; formed in 1997 by members of the Association of Hotels of the Caribbean to develop sustainable tourism throughout the region.

CSR: Corporate Social Responsibility; a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

CST: Costa Rica's five-level Certification in Sustainable Tourism developed by ICT or the Costa Rican Tourism Institute and regulated by the Costa Rican National Accreditation Commission.

Eco Challenge: a nonprofit organization associated with the Green Product Network that promotes sustainability practices with Japan's hospitality industry by providing eco-friendly hotel guidelines and green performance ratings for member hotels.

Ecotourism: A form of tourism that focuses on volunteering, personal growth and saving the environment; typically involves travel to destinations where flora, fauna and cultural heritage are the primary attractions; the idea that tourism revenue can promote conservation.

Ecotourism Australia: A nonprofit organization that operates an eco-certification program to identify genuine ecotourism and nature tourism operators in Australia.

EPI: Environmental Performance Index; an index designed to supplement the environmental targets set forth in the United Nation's Millennium Development Goals.

Estidama: A green initiative developed by the Abu Dhabi Urban Planning Council (UPC), the Environmental Agency – Abu Dhabi (EAD), Abu Dhabi Municipality, and Masdar, aimed to make Abu Dhabi the sustainability capital of the Middle East.

Green Globe: A benchmarking, certification and performance improvement program based on the Agenda 21 principles for sustainable development agreed to at the United Nations Rio Earth Summit of 1992.

HEI: Hotels Environmental Initiative; an international program developed in 1993 by the United Nations Department of Economic and Social Affairs' Division of Sustainable Development and initiated by the Prince of Wales Business Leaders Forum.

ICT: Costa Rican Tourism Institute; developed the Certification in Sustainable Tourism (CST).

ISO 14001: The international requirements for an environmental management system (EMS) developed by the International Organization for Standardization.

LEED: Leadership in Energy and Environmental Design; a set of standards for environmentally sustainable construction developed by the US Green Building Council in 1998.

New Zealand Tourism Strategy 2010 Implementation Fund: A program to assist New Zealand businesses to implement sustainable practices in alignment with the national brand image.

STRC: The Sustainable Tourism Cooperative Research Center; Australia's sustainable tourism research program established in 1997.

Sustainable Development: Sustainability; a term popularized by the United Nation's 1987 Brundtland report, Our Common Future, which postulates that "Economic development cannot stop, but it must change course to fit within the planet's ecological limits."

USGBC: US Green Building Council; a nonprofit trade organization that promotes sustainability in building design, construction and operation; best known for the development of the LEED rating system, and Greenbuild, a conference promoting the green building industry.

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