Forces for good but aviation and tourism share a responsibility to address their growing carbon footprint

by Marthinus van Schalkwyk, South African Minister of Tourism, October 2012

The travel and tourism sector is a significant contributor to gross domestic product (GDP) and job creation. The sector creates one in every 12 jobs globally. If travel and tourism were to be a country, it would rank 11th on the list of G20 countries for its direct contribution to GDP, or third if we had to count its total economic contribution. Given the volume of tourism activity in developing and emerging-market destinations, travel and tourism also presents an opportunity for more equitable global economic growth, which would promote social inclusion at a global level.

However, the sector's impact extends much further. This is something that was highlighted in the report produced by the commission appointed by France's then president, Nicolas Sarkozy, three years ago. In this report, Prof Joseph Stiglitz reminded us to look beyond narrow GDP metrics and also consider the sector's significant contribution to quality of life and sustainability in the broader context of societal well-being.

The travel and leisure experience goes to the core of the aspirations of people worldwide. It fosters an improved understanding between people and cultures, thereby promoting global peace and harmony. Just imagine how many people-to-people connections will be established by the one billion international tourist arrivals expected in 2012. Not surprisingly, tourism is often also one of the first industries to be rebuilt in post-war or post-conflict reconstructions, and tourism promotion has also emerged as a key foreign policy strategy in the transformation of many previously closed societies.

An honest assessment requires that we also recognise the indirect drawbacks associated with travel and tourism. The rapid expansion of our sector goes hand in hand with increased greenhouse gas emissions, escalating waste streams, increased water consumption and sometimes even permanent damage to terrestrial and marine biodiversity as well as local cultures and traditions.

As a sector, therefore, we also have a responsibility to deal with these critical sustainability challenges; to deal with the so-called 'dark side' of tourism. We need travel and tourism with a social, ethical and environmental conscience.

Breaking out of the silos

I am a firm believer in the need to break out of silo-based thinking about tourism and aviation. These two sectors have, for historical reasons, been institutionalised and regulated in silos. Yet they both face many cross-cutting policy challenges, which require coordinated action between different government line functions, United Nations agencies and industry bodies. For example, the two sectors are equally exposed to global economic shocks; restrictive travel barriers and the slow uptake of e-visas; archaic legal frameworks, such as those created by the Chicago Convention; global health pandemics and security scares; volatile oil prices, and so on.

The two sectors also share a responsibility to address the growing carbon footprint of aviation and long-haul tourism.

On the one hand, the aviation industry is extremely vulnerable to climate change response policies, especially when these involve the pricing of carbon emissions. On the other, the industry has to contribute its fair share to efforts to limit the global temperature increase to below 2°C. This will be no easy task. The growth expected in international tourism and trade flows over the next four decades, the superiority of air transport as enabler of long-haul travel, and the dependence of aviation on fossil fuels all render this a huge challenge.

Slowing down aviation and tourism growth simply to reduce carbon emissions will be in no-one's interest. It will destroy jobs and undermine our efforts to reduce poverty. Aviation is not only a key enabler of tourism,

but also of trade, investment and global integration. However, as much as 'slowing down' is not an option, sitting back and 'doing nothing' isn't one either. Business-as-usual growth of emissions will simply not be environmentally, economically or politically sustainable in decades to come. It will contribute to irreversible damage to our ecosystem and the livelihoods that depend on it.

Therefore, the challenge is to decouple aviation growth from emissions growth. If decarbonisation of aviation does not accelerate, this industry will not remain competitive in a carbon-constrained world.

Important roles for government and industry

The travel and tourism industry cannot be expected to tackle this multi-decade challenge on its own. The intolerable status quo is the result of both a massive market and governance failure.

The International Air Transport Association (IATA) has consolidated the industry around a common set of targets for 2020 and 2050. Of course, a comparison of these targets with what is required by science will follow in due course, but, for now, the 'in principle' commitment is an important start. That being said, words on paper can never become an end goal. The aviation industry should take these targets more seriously. In saying this, we should recognise that we are dealing with a long supply chain, and those that need most prompting are often not airlines, but the oil companies that control the production and distribution of kerosene jet fuel. I believe they need to take more responsibility for their environmental stewardship. Their lack of investment in developing second-generation drop-in aviation biofuels is of great concern.

The immediate challenge is much broader, though. All players in the aviation industry will have to do more to realise the potential of operational and infrastructural improvements, and to accelerate the uptake of market-ready technologies. Many of these efficiency improvements do not require government intervention, but simply make good business sense: they reduce fuel bills.

However, governments also have a critical role to play. This includes their contribution to research and development, airspace redesign, optimised flight routes, freeing up the skies for competition as well as the provision of more modern airport and air traffic management infrastructure. Also, given that we are faced with market failures of global proportions, introducing stringent carbon dioxide (CO2) standards as well as benchmarks for green certification may soon become unavoidable. In addition, the aviation sector is looking to Europe and the United States of America to make substantial progress with the implementation of SESAR (Single European Sky ATM Research) and NextGen (Next-Generation Air Transportation System) initiatives.

Biofuels and market-based mechanisms

Once the near-term carbon abatement opportunities are optimised, only two long-term options remain, namely the drop-in of sustainable, second-generation biofuels and a global cap-and-trade scheme. This is not an 'either/ or' situation – both a market-based mechanism and the drop-in of biofuels are required. It will be irresponsible to place all our eggs in the biofuels basket. The scalability is simply too uncertain. Therefore, an emissions trading scheme must provide offsetting opportunities for unavoidable aviation emissions, but, even more importantly, must create a price incentive for new investment in low-carbon technology.

Governments have a critical role in de-risking the substantial investment that will be required to kick-start an aviation biofuels industry. Besides research and demonstration partnerships, public policy has to create the framework conditions for feedstock production. Governments also have a responsibility to introduce globally harmonised sustainability standards, and to level the playing field with the automotive industry. In time, this may require the phased introduction of fuel-blending mandates.

Ultimately, policy signals must be *loud*, in that they should be ambitious and create a viable market; they must be *legal*, in that they should provide market certainty, and they must be *long-term*, given the long lead times involved in the aviation technology life cycle.

A price on carbon

A global price on carbon is a potential game changer. This is a transnational industry requiring global solutions. The creation of a global, sectoral cap-and-trade emissions trading scheme for aviation is long overdue.

Such a scheme should be underpinned by an ambitious long-term target and mid-term pathways. It should be legally binding, in other words there should be consequences for non-compliance and, in time, the cap should become more stringent. Carbon pricing would have to be progressive yet foreseeable in order to allow the industry to plan over long time horizons. There are of course also important caveats, including that aviation's burden should not be disproportionate to that of other economic sectors – aviation cannot become the 'cash cow' of the climate regime. Also, to avoid double-counting and double-taxing of emissions, such a global scheme should replace the current patchwork of unilateral emissions trading and green taxation schemes that are spreading like wildfire in Europe.

Take for example the United Kingdom's air passenger duty (APD). What started off as a green tax has now become a pure revenue-raising mechanism. Its green credentials are long gone. The tax started off at a low level but has now grown into a substantial levy on international tourism. And for those of us in the developing world who depend on eco-tourism, it is a tax on our green services exports.

The bitter aftertaste of the EU ETS

Another issue with global ramifications is the European Union's emissions trading scheme (EU ETS). Without necessarily questioning the underlying principles of this market-based mechanism, it would be fair to say that the aggressive unilateralism associated with its introduction leaves a fairly bitter aftertaste. The strong reaction that it has triggered from across the world, including threats of a trade war, was not a surprise.

From a tourism and aviation vantage point, the potential competitive distortions as well as the possible supply chain disruptions that may result from this kind of unilateralism, counter-threats of a trade war, retaliation and an uncoordinated proliferation of equivalent measures are rather disconcerting – and remain so, whether you represent an airline with narrow operating margins or a long-haul developing country tourism destination that depends heavily on international airlift to create jobs and reduce poverty.

The EU's frustration with 15 years of intransigence and doublespeak in the International Civil Aviation Organisation (ICAO) has been clearly stated. Progress with negotiations has been too slow and too many vested interests have frustrated the political process. Ultimately, though, multilateralism must prevail. Aggressive unilateralism and extra-territorial measures are not the way to go in an increasingly globalised world. These may look attractive in the short term, but will reap the whirlwind of confrontation in the medium to long term.

It is in this context that I have previously proposed, given the EU and the rest of the world's commitment to a global solution, the EU should suspend aviation's inclusion in the EU ETS for two years. The EU should go the extra mile and give the negotiating parties in ICAO a fair chance to conclude negotiations on a global, sectoral emissions trading scheme by the end of 2013. The multilateral negotiating options have not yet been exhausted and it is still possible to capture our commitment to clean up our act in a negotiated agreement under a stronger, forward-looking ICAO.

A global ICAO deal is in the interest of travel and tourism

With stronger leadership from all sides, it is possible to resolve the outstanding issues in ICAO, including the seeming clash of principles between the climate change and air transport regimes. One way to resolve the impasse could be to agree that any market-based mechanism would have 'zero net incidence' for developing countries. In the design of an emissions trading scheme, provision could be made for the ICAO principle of equal treatment to apply at an operator level when revenues are raised. However, when the resources from a

multilaterally managed fund are allocated, differentiated disbursements could be made, for example towards decarbonised infrastructure and sustainable biofuels industries in developing country markets. This assumes that a significant portion of revenues from carbon pricing will be re-invested in green growth.

It is in the tourism sector's best interest that the negotiations on a global cap-and-trade regime for aviation emissions in ICAO take a quantum leap in the next year – not only because of the additional costs imposed on tourists due to uncoordinated taxes and levies, but also because of our firm belief that aviation and tourism should contribute its fair share to the prevention of dangerous climate change. □

Marthinus van Schalkwyk, Minister of Tourism, South Africa, is a lawyer and political scientist by profession. A former MP and Premier of the West Cape Province, he assumed the role of South Africa's Minister of Environmental Affairs and Tourism in 2004 before taking up his present post in 2009. He was Chairperson of the Aviation, Travel and Tourism Industry Agenda Council of the World Economic Forum (WEF) for 2010-2011.

This article is taken from the book 'Green Growth and Travelism', a collection of 'letters' contributed by leaders in the aviation and tourism sector, including Raymond Benjamin (ICAO), Tony Tyler (IATA), Tom Enders (EADS), Sir Richard Branson (Virgin), Akbar Al Baker (Qatar Airways) and many more.

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