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# SUSTAINABILITY LEADERSHIP CASE STUDIES

## IBEROSTAR: Roadmap for Decarbonisation



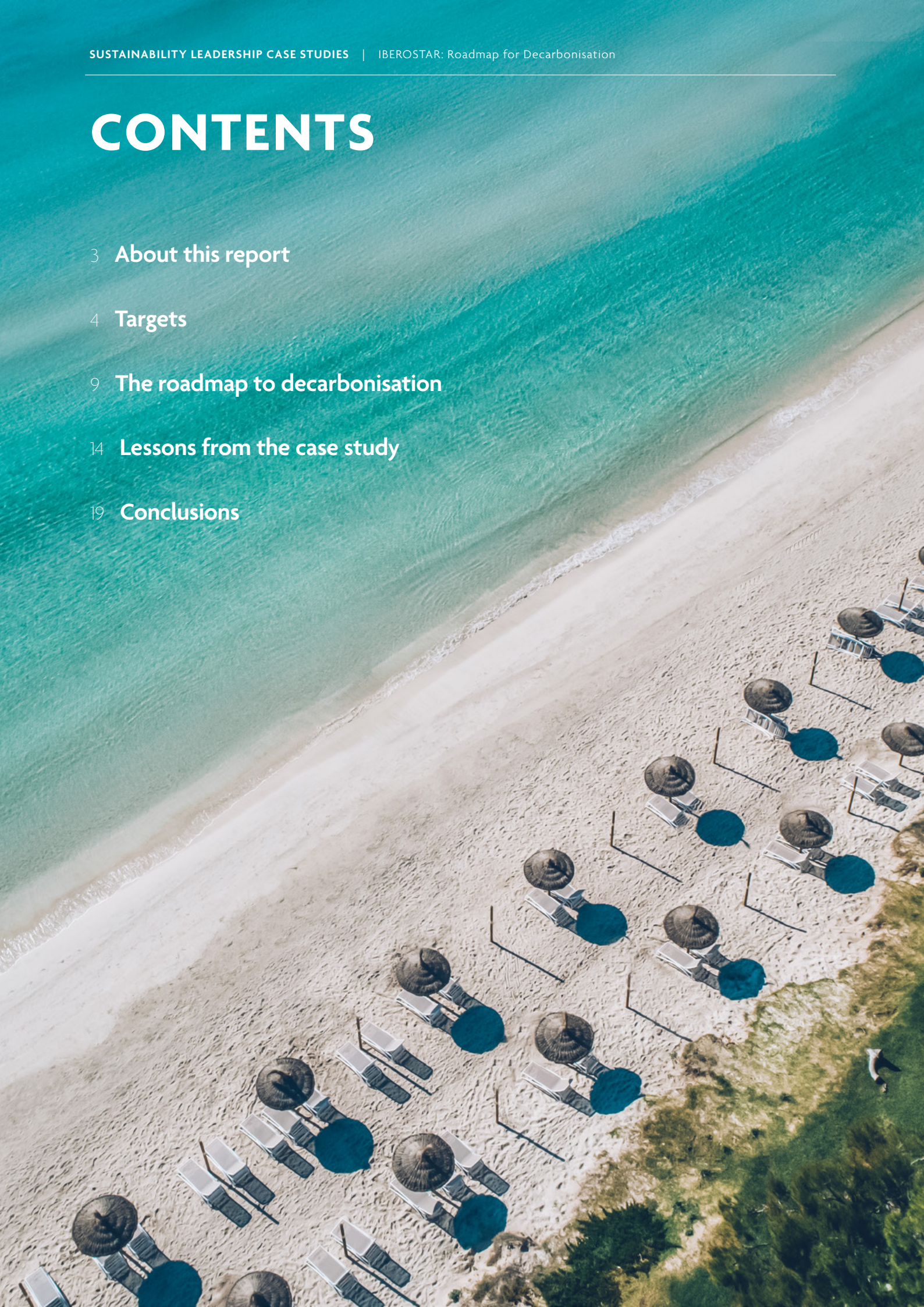
In collaboration with:



IBEROSTAR  
HOTELS & RESORTS

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# ABOUT THIS REPORT

Travel & Tourism takes its contributions to sustainable development and to tackling the crises of climate change and global equity seriously. The sector is both a significant contributor to global carbon emissions and especially vulnerable to the threats they pose to people, the planet and shared prosperity<sup>1</sup>. It is therefore imperative that businesses and organisations from across Travel & Tourism come together to share their knowledge and to work together towards actionable sustainability efforts.

**This case study describes the work of Iberostar Hotels and Resorts (Iberostar) to decarbonise, so that learning to date can be shared across the Travel & Tourism sector and beyond. It provides a scalable roadmap for decarbonisation based on the success of Iberostar's programme. If others adopt the same approach, they will help to accelerate pro-sustainability efforts to decarbonise, to mitigate climate change, and to boost climate adaptation efforts.**

In 2020, Iberostar committed publicly to achieving carbon neutrality across Scopes<sup>2</sup> 1, 2 and 3 by 2030 through its Roadmap for Decarbonisation<sup>3</sup>. Its Science-based Targets<sup>4</sup> (SBT) were validated by the Science-Based Targets initiative<sup>5</sup> (SBTi) in October 2022. The SBTi is a partnership between CDP, UN Global Compact, the World Resources Institute, and the World Wide Fund for Nature. Iberostar's decarbonisation strategy is pioneering in its ambition within the accommodation sector.

This report begins by providing a detailed account of the development of Iberostar's decarbonisation targets. It then outlines the steps Iberostar is taking towards meeting those targets, comprising both decarbonisation and carbon offsetting efforts. Finally, it extrapolates from this roadmap a generally applicable and scalable method for the development of a businesses' decarbonisation plans, with particular reference to hotel groups, outlining major potential roadblocks.





# TARGETS

## A. Iberostar's commitment to decarbonisation

The 2001 Green House Gas Protocol divide types of carbon emission into three 'scopes'. **Scope 1** comprises a company's direct contribution to carbon emissions through resources it owns or controls, such as boilers, furnaces and non-electrical vehicles. **Scope 2** comprises a company's indirect contribution to carbon emissions via electricity purchased from a secondary supplier. **Scope 3** comprises all carbon emissions implicated in a company's activities and supply chain, including purchased goods, employee activities and outsourced services. A more detailed breakdown is provided in the following section.

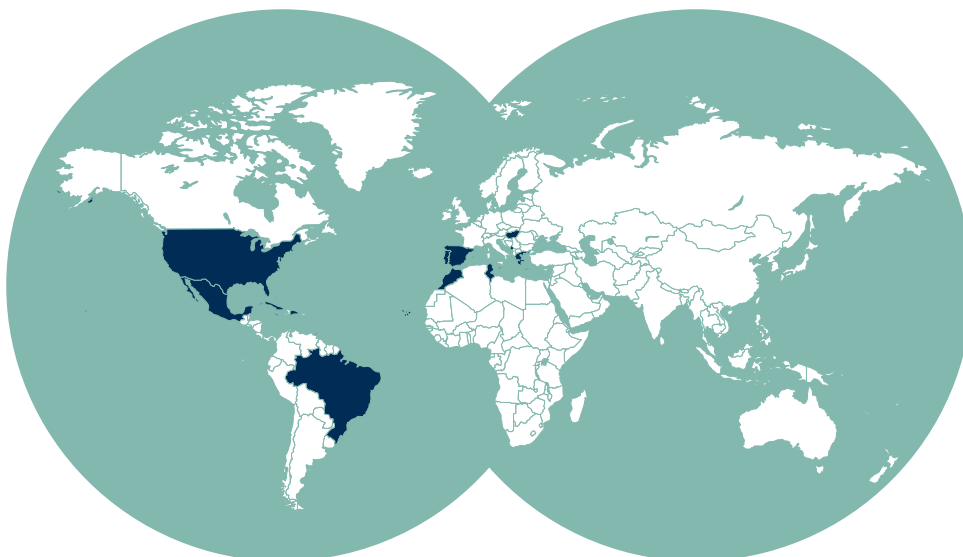
In October 2022, **Iberostar committed to reducing its absolute scope 1 and scope 2 greenhouse gas (GHG) emissions by 85% by 2030** from its 2019 base year. It also **committed to reducing absolute scope 3 GHG emissions** from purchased goods and services, fuel and energy-related activities, capital goods, business travel, employee commuting, waste generated in operations, and downstream leased assets by 50% within the same time. Across all scopes, **Iberostar has promised to reduce its emissions by 58% by 2030 relative to a 2019 baseline.**

As validated by the SBTi, these ambitions align with **The Paris Agreement**<sup>6</sup> to limit global warming to well below 2°C – preferably 1.5°C – compared to pre-industrial levels and do not consider any contribution from compensation. Iberostar holds that effective leadership, informed by science and technical expertise, and the cultivation of a facilitating environment are critical to advancing actions to address environmental, social, and governance (ESG) efforts.

## B. Iberostar's carbon footprint in 2019

Iberostar calculated its decarbonisation targets for 2030 using 2019 data as the baseline, as this was the most recent typical operating year for which data was available. Iberostar's carbon footprint in 2019 was estimated to be 1.02 million tonnes of CO<sub>2</sub>: 8% from Scope 1, 14% from Scope 2, and 77% from Scope 3.

At that time, Iberostar had 97 four- and five-star hotels in 14 countries (Figure 1). All owned and managed hotels were included in its SBT.



**97**

Number of hotels

**33,000**

Number of rooms

**14**

Number of countries

**41%**

Hotels in subtropic / tropic zones

**27%**

Hotels that are open seasonally

**24%**

Hotels in SIDS and LDCs

**46%**

Hotels under ownership

**100%**

Hotels under management

Due to the geographic distribution, segmentation, and luxury classification of our business, we expect certain aspects of our business to have material impact on our carbon footprint, levers of action, and decarbonisation rate.

<b>High operational control</b>	Faster decarbonization action
<b>Centralized purchasing system</b>	Faster decarbonization action
<b>All-inclusive</b>	Larger Scope 3, specifically contribution from purchased goods and services
<b>Vacational</b>	More services and therefore larger Scope 3
<b>Luxury</b>	Higher carbon intensity per stay
<b>Disproportionately in SIDs or LDCs</b>	Limited renewable energy or countries in rapid renewable energy transition

At Iberostar, we believe that strong leadership and the right facilitating environment are critical to taking ambitious action on any ESG-related topic. We also believe that leadership must be guided by science-driven, action-

focused technical expertise that functions with the greatest agility when internally developed. We believe these features were necessary to provide the right facilitating environment for this ambition.



**Figure 1.** Description of Iberostar Hotels & Resorts Business boundaries and material elements

Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>7</sup>

Iberostar followed the guidelines of GHG Protocol's Corporate Accounting and Reporting Standard<sup>8</sup> in calculating 2019 emissions. Company activities were divided into the three GHG scopes as follows:

- **Scope 1** – Iberostar's fuel consumption:
  - Fossil fuels: natural gas and liquefied petroleum gas (LPG) used in kitchens and boilers to provide heating and hot water; diesel fuel used in boilers, fleet vehicles and back-up generators; petrol used in vehicles; heavy fuel oil used in boilers, heavy vehicles and back-up generators; biomass (wood pellets) used in boilers to provide space and pool heating.
  - Fluorinated gases: used in cooling and freezing equipment and heating, ventilation, and air conditioning (HVAC) systems.
- **Scope 2** – Iberostar's energy consumption (carbon emissions calculated according to market-based estimates).
- **Scope 3** – The seven (of fifteen) indirect sources of carbon emissions stipulated by the GHG protocol which apply to Iberostar's business model:
  - Purchase of good and services: emissions from food & beverages, water, hotel services, bar and kitchen tools, services for marketing and information technology (IT), laundry, textiles.
  - Capital goods: construction, real estate, and food and environment emissions.
  - Downstream leased assets: emissions from shops and other spaces rented to third parties in its hotels.
  - Fuel and energy-related activities: emissions from fuel and energy suppliers not included in scopes 1 and 2 (i.e. upstream emissions and transmission and distribution (T&D) losses).
  - Employee commuting: emissions from transportation of employees between home and work.
  - Business travel: emissions from transportation of employees undertaking business-related activities (excluding commuting).
  - Waste generated in operations: emissions from third-party disposal and treatment of waste generated by Iberostar.

Flights by clients fall under either upstream or downstream transportation and distribution but are considered out of scope by Greenview in its industry-backed Net Zero Methodology for Hotels<sup>9</sup>.

An eighth category of indirect GHG emissions sources - emissions from franchises - is applicable to the hospitality sector but does not apply to Iberostar's business model.

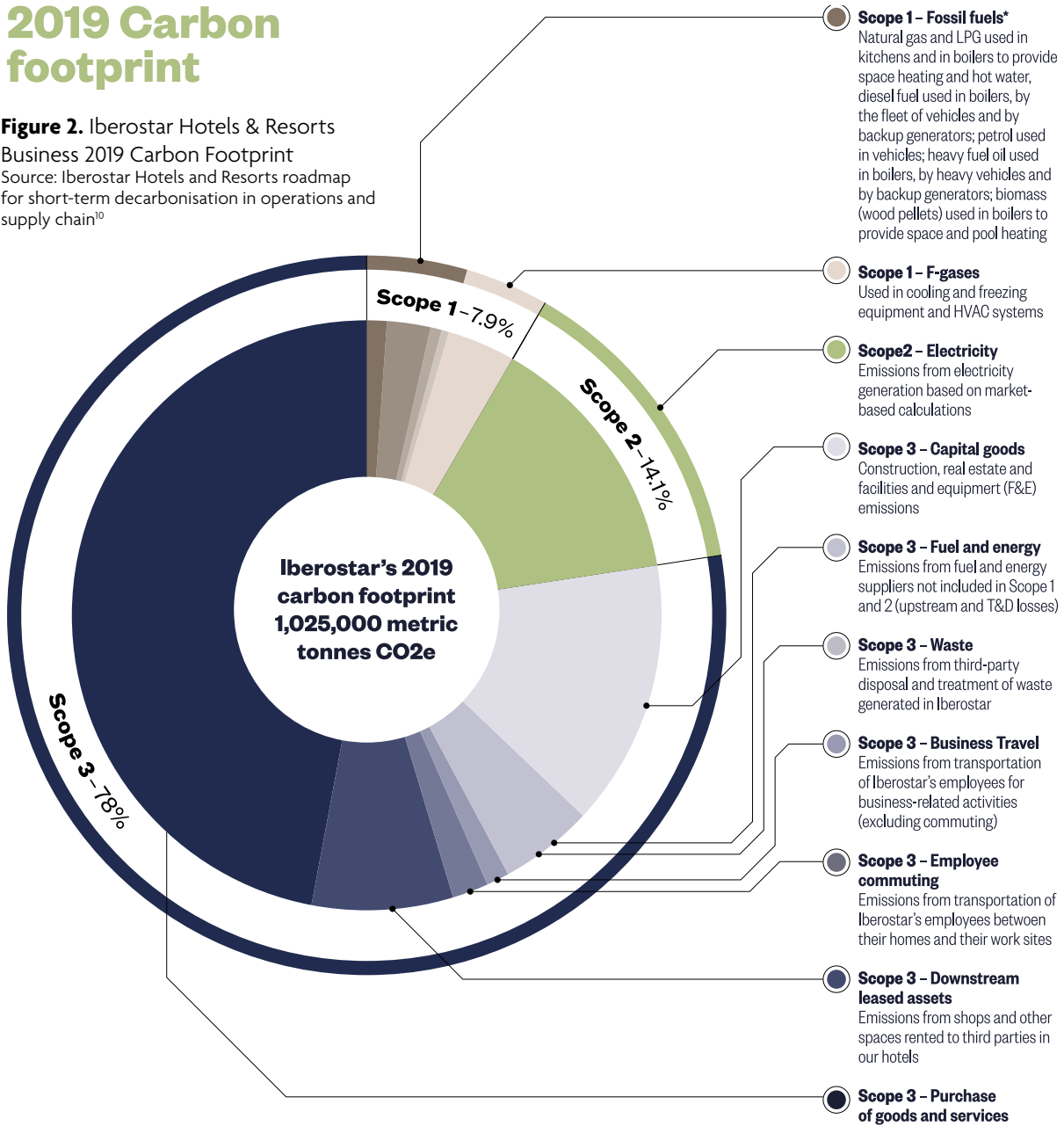
This initial baseline provides powerful insight for the development of Iberostar's decarbonisation strategy. But future calculations of scope 3 emissions should be made using industry average and supplier-specific rather than spend-based data, in order to return more accurate figures.

## C. Decarbonisation targets calculated from this baseline

On the basis of a 2019 baseline footprint of 1.02 million tonnes of CO<sub>2</sub>e, and assuming the successful implementation of decarbonisation efforts, by 2030, **Iberostar will have an expected 2030 footprint annually of 430,000 tonnes of CO<sub>2</sub>e**: 3% from Scope 1, 4% from Scope 2 and 93% from Scope 3 (Figure 2). To reach carbon neutrality by 2030, Iberostar will offset the remaining footprint, as it continues to decarbonise its business beyond 2030.

### 2019 Carbon footprint

**Figure 2.** Iberostar Hotels & Resorts Business 2019 Carbon Footprint  
Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>10</sup>



Scope 3 emissions lie outside our operations and come from indirect emissions that occur in the value chain.

As we do not have direct control over these emissions, they require supply chain engagement and collaboration, they influence and enable change, and they lead with actions to foster carbon footprint reductions.

**Improving methodology in our Scope 3 categories will be critical for decarbonization**, moving from spend-based to average-data and supplier-specific methods. This initial baseline provides powerful insight into developing our decarbonization strategy.

\* Regarding Kyoto's GHG gases, our GHG footprint includes CO<sub>2</sub>, N<sub>2</sub>O and CH<sub>4</sub> emissions. Perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>) and nitrogen fluoride (NF<sub>3</sub>) are excluded as they are not applicable for Iberostar Hotels & Resorts.

<sup>10</sup> For more detailed methodology on measurement of Scopes, please review the annex

## D. The business case for decarbonisation

Iberostar's business case for investing in decarbonisation is compelling.

In 2022, the market price of offsetting a tonne of CO<sub>2</sub>e varied greatly, ranging from \$3 to over \$20 per tonne for natural carbon capture, and from \$15 to \$120 per tonne for other processes. These prices are expected to increase by 2030, with estimates ranging from \$30 to \$360 per tonne of CO<sub>2</sub>e.

On the basis of Iberostar's current footprint and a conservative estimate of \$40 per tonne of CO<sub>2</sub>e in 2030, it is estimated that taking no action towards decarbonisation would represent a financial burden of \$49 million per year (77% of that corresponds to compensating scope 3) in order to reach carbon neutrality.

Iberostar's decarbonisation roadmap will allow for a more manageable portfolio of a \$17 million investment per year towards reaching carbon neutrality (93% of which corresponds to compensating scope 3).





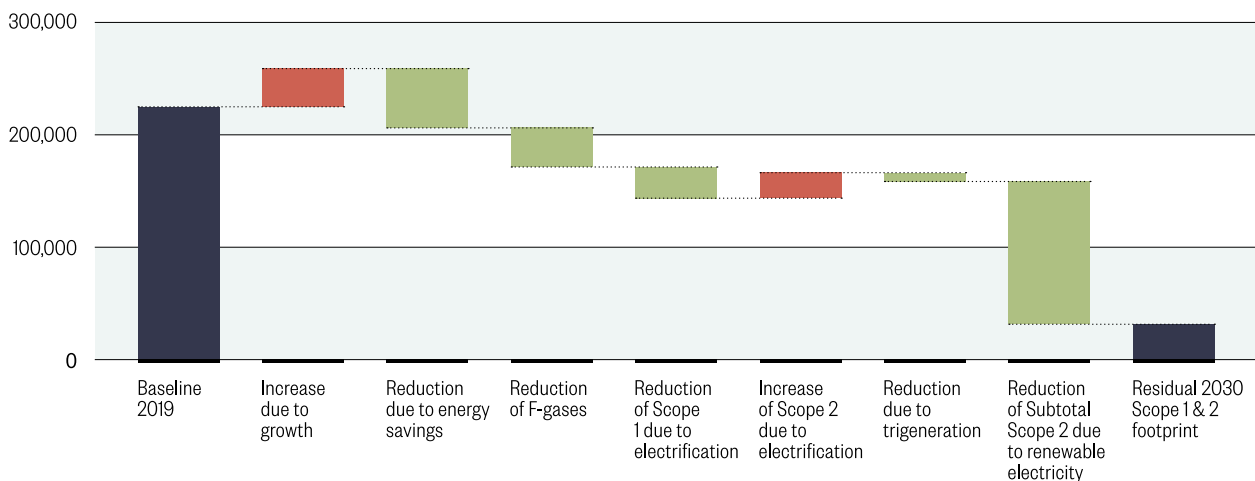
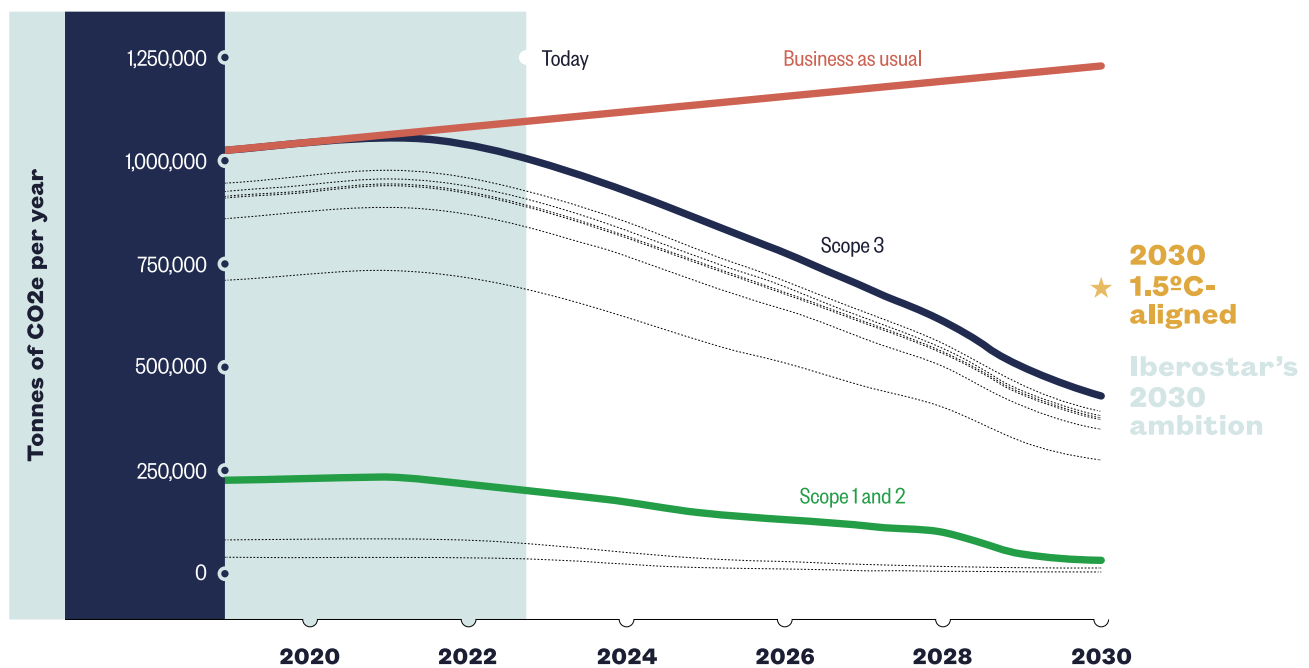


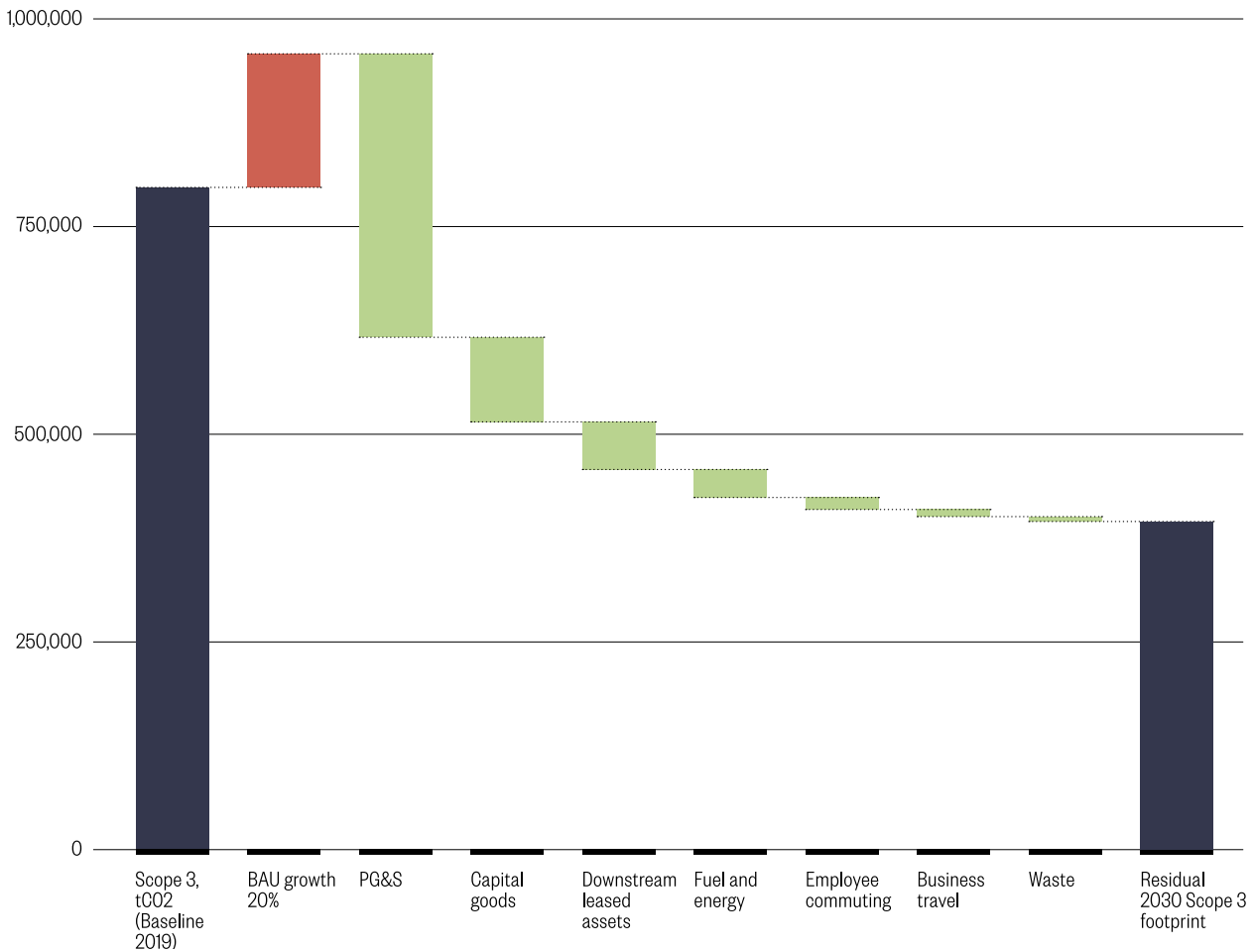
# THE ROADMAP TO DECARBONISATION

## A. Overview

Iberostar designed a decarbonisation pathway (Figure 3) that will halve emissions from both its operations and supply chain by 2030 and achieve Net Zero in emissions before 2050.

### Iberostar's Decarbonization Pathway to 2030

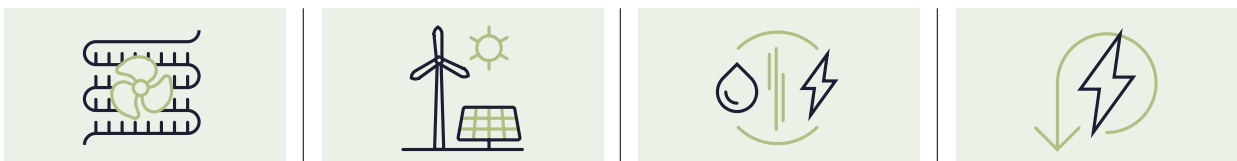




**Figure 3.** Iberostar’s Decarbonization Pathway to 2030  
 Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>11</sup>

To implement this strategy, Iberostar developed eleven decarbonisation projects: four addressing scopes 1 and 2 (Figure 4) and seven tackling scope 3 emissions<sup>12</sup> (Figure 5), with goals and key objectives (Table 1).

## B. Decarbonisation: scopes 1 and 2



**Figure 4.** Scope 1 and 2 Decarbonisation Projects  
 Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>13</sup>

**Iberostar’s four scope 1 and 2 decarbonisation projects are oriented towards meeting the following goals by 2030:**

### 1. Reduce fugitive emissions of f-gases by 92%

Nearly half of Iberostar’s scope 1 emissions in 2019 were due to the diffusion of some 28,000kg of hydrofluorocarbons (HFCs) into the atmosphere. Iberostar will work with all teams across all of its locations to highlight energy-related best practices to enable everyone across the company to reduce their energy consumption and avoid energy waste. It will also conduct energy audits, invest in high-efficiency equipment, and improve the operation and maintenance of major equipment and machinery. The company will save energy by electrifying space and water heating with high-efficiency heat pumps. All these efforts will contribute to Iberostar’s energy reduction goal.

## 2. Reduce scope 2 emissions by 88%

Approximately 75% of Iberostar’s global scopes 1 and 2 footprint in 2019 was due to its electricity consumption, especially in certain countries e.g., Cuba, the Dominican Republic, Jamaica and Morocco that are highly reliant on fossil fuel combustion. Iberostar’s corporate sourcing of renewable electricity aims to reduce both carbon emissions and electricity-related spending. To increase the penetration of renewables in the destinations where Iberostar operates, renewable Power Purchase Agreements (PPAs) and onsite renewable generation are prioritised over Renewable Energy Certificates (RECs).

## 3. Reduce scope 1 fossil fuel-based emissions by 78%

Fossil fuels are currently used in space heating, hot water production, laundry, vehicles, and kitchen equipment such as stoves and ovens. These will all be either electrified or substituted with fuels with low emission factors.

## 4. Reduce energy consumption by 35%

While each of the three previous levers targets a specific material element of Iberostar’s baseline GHG footprint, optimising energy consumption will also reduce overall Scope 1 and Scope 2 emissions.

During the development of Iberostar’s Decarbonisation Roadmap, it was assumed that emissions would increase by 20% between 2022 and 2030 due to the growth of the business. For scopes 1 and 2, these projected emissions are counterbalanced by energy savings in reducing emissions caused by F-gases, electrification, and the sourcing of renewable electricity. This is calculated to result in an 85-86% decrease in emissions relative to 2019 and exceeds the reduction needed to align with the 1.5°C of warming by 2050 by a healthy margin of 39%.

**This shows that the accommodation offer within the Travel & Tourism sector can make a meaningful contribution towards reducing GHG without depending on compensation to meet SBT.**

## C. Decarbonisation: scope 3



**Figure 5.** Scope 3 Decarbonisation Projects

Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>14</sup>

**Iberostar’s seven scope 3 decarbonisation projects are oriented towards meeting the following goals by 2030:**

### 1. Reduce emissions from the purchase of goods and services by 50.1%

The purchase of goods and services can be decarbonised while still maintaining high quality and customer satisfaction by making low emission sourcing decisions, engaging with supply chain partners, reducing emissions in key material categories (i.e., food, water) and embracing circularity.

### 2. Reduce emissions from capital goods by 50%

Advancing towards net zero carbon buildings in new construction and refits, maximising building efficiency, prioritising low emission materials in investments in equipment and furniture and engaging the supply chain will all contribute to a reduction in capital goods emissions.

### 3. Reduce emissions from downstream leased assets by 51%

As Iberostar’s downstream leased assets rent space in Iberostar hotels, reduction in their emissions is directly linked to decarbonisation of scopes 1 and 2. Iberostar will extend decarbonisation efforts to the products and services sold by downstream leased assets through its work offering community tourism experiences and products in all properties by 2030.

### 4. Reduce emissions from Scope 3 fuel- and energy-related activities by 50%

Iberostar will capitalise on the decarbonisation of scopes 1 and 2, prioritise fuel and energy suppliers with low upstream emissions where possible, and increase data transparency. It will also encourage power utilities and grid operators in all destinations to modernise energy grids and to reduce transmission and distribution losses.

### 5. Reduce emissions from employee commuting by 50%

Iberostar will make low emissions mobility a part of its business culture by promoting low-carbon transport among employees through mobility plans in all hotels and headquarters. It will also engage with public administration to accelerate zero emission mobility in its destinations.

### 6. Reduce emissions from business travel by 40%

Iberostar will boost low-emission travel through a new internal programme to incentivise employees: “Iberostar travel with positive impact”. It will prioritise the use of low-emission vehicles and collaborate with the supply chain on decarbonisation strategies (i.e., air travel, car rental, etc.).





### 7. Reduce emissions from waste disposal by 50%

Iberostar will contribute zero waste to landfill by 2025. It will continue to promote the reduction of waste generated in Iberostar hotels in general, and of food waste in particular, while fostering improved waste management capacity in all destinations.

Projected reduction of emissions through the above action plans for each of the Scope 3 categories will result in a 2030 emissions intensity of 50% less than in 2019.

**This demonstrates conclusively that the accommodation offer within Travel & Tourism can make a meaningful contribution to reducing GHG without depending on compensation to meet SBT.**

**Table 1.** Overview of key decarbonization drivers for each scope & decarbonization pathways  
 Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>15</sup>

Eleven decarbonization pathways		Emission sources	% 2019 CO2e	% Reduction vs 2019 baseline	Potential CO2e reduction (High/Medium/ Low)	Investment required (€)(€€)(€€€)	Effort required (Low, 5-high)	Key Drivers
Scope 1	Electrification of usages of fossil fuels 	Fossil fuels	4.2%	77.3%	Low / Medium	€€€	4	<ul style="list-style-type: none"> <li>Reduction in fuel consumption through behavioral changes of employees and new procedures</li> <li>~90% Electrification of space and water heating systems, kitchens and onsite transportation</li> <li>Substitution of remaining fossil fuels with high emission factors by natural gas and/or LPG</li> <li>Compliance of new entrants to portfolio with electrification requirements</li> </ul>
	Reducing refrigerant gas emissions 	F-gases	3.7%	-91.6%	Low / Medium	€€	3	<ul style="list-style-type: none"> <li>Procedures and training for early leakage detection</li> <li>Introduction of design criteria to reduce mass requirements for F-gases</li> <li>Operative changes to optimize operation of equipment with F-gases</li> <li>Retrofitting and replacement of equipments and machines for operation with low-GWP F-gases</li> </ul>
	Renewable electricity sourcing 	Electricity	14.1%	-87.7%	Medium / High	€€	2	<ul style="list-style-type: none"> <li>Reduction in electricity consumption through behavioral changes of employees and new guidance and procedures</li> <li>Reduction in electricity consumption through system recommissioning and modernization of equipment</li> <li>Renewable sourcing of electricity through onsite renewable generation, renewable PPAs and EACs</li> </ul>
Scope 2	Optimization of energy consumption 							

Scope 3	Purchase of goods and services	PG&S	61%	-50.1%	High	€€ / €€€	4	<ul style="list-style-type: none"> <li>- Circular procurement framework + Guidelines</li> <li>- Supply Chain Collaboration Program</li> <li>- CE Plans per hotel</li> <li>- Operative changes</li> </ul>
	Capital goods	Capital goods	19%	-50.0%	Medium / High	€€ / €€€	4.5	<ul style="list-style-type: none"> <li>- Impact on F&amp;E: Circular procurement framework + Guidelines</li> <li>- Traceability of products and materials (Material passport project)</li> <li>- Net Zero Carbon Building &amp; Circularity- Protocols &amp; plans, building efficiency</li> <li>- Engagement with suppliers, protocol &amp; contractual requirements</li> </ul>
	Downstream leased assets	Downstream leased assets	10%	-51.0%	Medium	€€	2	<ul style="list-style-type: none"> <li>- Scope 1 &amp; 2, decarbonization plan</li> <li>- Extend Iberostar's standards for Circular Economy &amp; Decarbonization</li> </ul>
	Fuel- and energy-related activities	Fuel and energy related activities	6%	-50.0%	Low / Medium	€	3.5	<ul style="list-style-type: none"> <li>- Scope 1 &amp; 2, decarbonization plan</li> <li>- Upstream emissions criteria as part of sourcing decisions</li> <li>- Engagement with suppliers and data transparency</li> <li>- Engagement with power utilities / grip operators to modernize the grid</li> </ul>
	Employee commuting	Employee commuting	3%	-50.0%	Low / Medium	€	2	<ul style="list-style-type: none"> <li>- Mobility Plans in ALL hotels</li> <li>- Engagement with destinations</li> <li>- Compensation package including low emissions mobility</li> </ul>
	Business travel	Business travel	2%	-40.0%	Low	€	4	<ul style="list-style-type: none"> <li>- Program "Iberostar travels with impact"</li> <li>- Engagement plan with travel industry (air companies, tour operators, agencies...)</li> </ul>
	Waste generated in operations	Waste	0.5%	-50.0%	Low / Medium	€€	2.5	<ul style="list-style-type: none"> <li>- Sourcing to reduce waste emissions (Circular Procurement Framework)</li> <li>- Plan to send zero waste to landfill by 2025 + focus on reducing the amount of waste generated in our operations</li> <li>- Destinations enabled and industry collaboration</li> </ul>

## D. Compensation - Carbon offsetting

Iberostar plans to offset 75% of its emissions through high-quality carbon sequestration. Its remaining emissions will be offset by protecting and restoring nature in its destinations to eliminate the CO2 emissions that cannot be reduced. It will invest in high quality offsets in its destinations that protect and restore ecosystems and provide economic benefit to local communities and stakeholders. Iberostar is also investing in climate adaptation in its coastal ecosystems. As a part of its business case to restore ecosystem services for risk reduction, the company set out a Coastal Health Roadmap<sup>16</sup>. Benefits to biodiversity and communities will be prioritised alongside CO2equivalent (CO2e) sequestration.

**Three major findings help define Iberostar’s carbon offsetting strategy and allow it to reach carbon neutrality, move towards a regenerative tourism model, and boost long-term resilience and adaptation in our destinations:**

### 1. Investing in Iberostar’s destinations to boost resilience.

Carbon offsets in a global market present a user-friendly pathway to offsetting emissions. Because of the importance of nature protection and the role of biodiversity in tourism, Iberostar prioritises high-quality nature-based carbon offsets and these bring additional benefits of boosted adaptation, restored ecosystem services, biodiversity protection, community integration and more.

### 2. Prioritizing investment in actions.

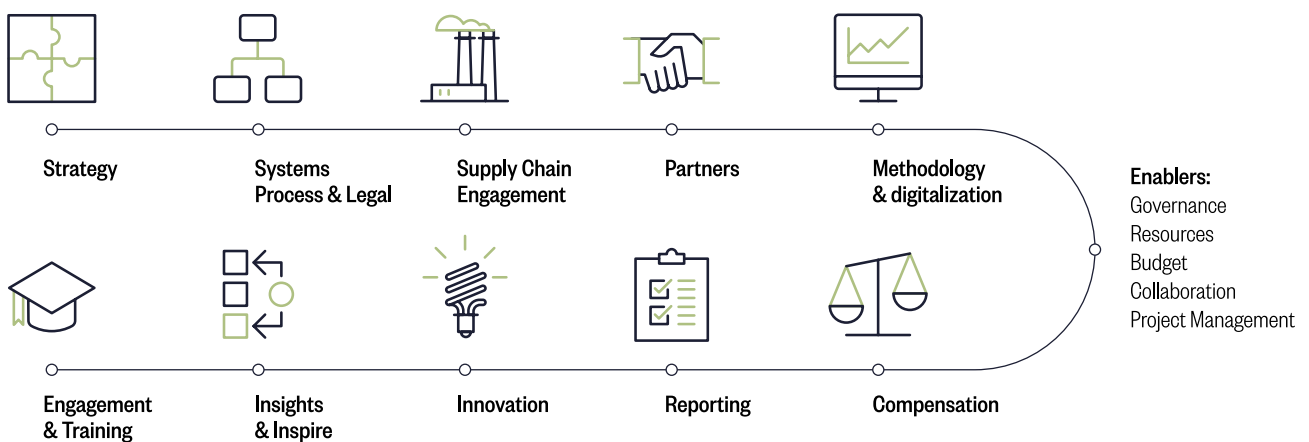
As nearly all Iberostar’s 2030 emissions will come from its supply chain, there are inherent challenges in accurately measuring this footprint, as detailed by the company’s decarbonization strategy. There are also challenges in measuring nature-based compensation projects in situ carbon sequestration potential. This is particularly true for vulnerable coastal ecosystems in Iberostar destinations, such as mangroves, which have higher sequestration potential when accounting for the carbon in their root structures and sediment capture. As there are no methodologies to measure the additional carbon capture of roots and soil with remote sensing (a cost-effective way to standardize and measure carbon sequestration of forest canopy), they require substantially higher investment to measure the carbon premium of mangrove ecosystems. Iberostar’s measurement of both the embodied carbon in its supply chain and the sequestration potential of its nature-based offsets seeks to strike a balance between overinvesting in measurements at the cost of greater collective action.

### 3. Resilient financial models for nature-based compensation.

The investment required by 2030 represents substantial income to communities for nature protection. Given Iberostar aims to achieve its net zero goal through decarbonisation, the incentive to invest in carbon sequestration projects decreases, hence affecting the flow of income to nature-based projects. The goal is to design nature-based carbon sequestration projects in a way that the initial investment serves as a catalyst to develop self-sustaining models of conservation and management that become less reliant on carbon credit income.



#### A. How to develop a decarbonisation roadmap



**Figure 6.** Strategic framework for decarbonization

Source: Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain<sup>17</sup>; Glasgow Declaration<sup>18</sup>

**Businesses within the Travel & Tourism sector can replicate Iberostar's groundbreaking decarbonisation strategy. The Iberostar model is made up of ten key components:**

### 1. Strategy

Develop a roadmap and targets then validate them with the SBTi. For scopes 1 and 2, mobilise resources to ensure the necessary degree of investment from start date to 2030. For scope 3, identify and prioritise key material categories, undertake key supplier spend analysis, engage with internal stakeholders and design the roadmap.

### 2. Systems, process and legal

Ensure effective systems and measurement for tracking emissions. For scopes 1 and 2, generate procedures and protocols to ensure the integration of decarbonisation and energy efficiency criteria in the operation of hotels and the purchase of energy-consuming equipment and machinery. For scope 3, review legal procedures, codes of conduct and legal frameworks applicable to suppliers, because the evolution of methodology for measurement and the changes required for decarbonisation will require changes to their practices.

### 3. Supply Chain Engagement

For scopes 1 and 2, engage with power utilities in destinations with high-grid emission factors to increase the penetration of renewable technologies into their generation mixes. For scope 3, understand the supply chain and its starting point on decarbonisation to develop a collaboration programme with key suppliers. Encourage and support them to set CO2 reduction goals and to activate decarbonisation plans.

### 4. External Partners

Activate collaboration with strategic partners to speed up decarbonisation.

### 5. Methodology, measurement and digitalisation

For scopes 1 and 2, automate the capture of energy and F-gas consumption data and conduct periodic checks to ensure data reliability. For scope 3, improve methodology following the best standards in order to keep accurate track of carbon footprint. Create the capacity to capture emissions reduction by evolving from a spend-based methodology.

### 6. Engagement and Training

Foster awareness of – and excitement about – decarbonisation among employees. Connect with customers and increase customer satisfaction through a decarbonised business model.

### 7. Insights and Inspiration

For scopes 1 and 2, capture trends and learn from others' best practices and investment modalities. For scope 3, capture trends and keep up to date with best practices, regulations and methodology, as scope 3 is an emerging area. Share and learn from other decarbonisation strategies, driving systemic change through an open culture of collaboration.

### 8. Innovation

For scope 1 and 2, keep up to date with new and emerging clean energy technologies and with low global warming potential (GWP) F-gases. For scope 3, advocate for innovation in material areas which require major supply chain disruption and foster cross-sectoral partnerships. Switch source materials to lower embodied carbon products.

### 9. Reporting

Transparently communicate your performance to all the stakeholders through annual reporting. Automate carbon reporting to increase accuracy and reduce the average time spent.

### 10. Reporting

Create an offsetting strategy to eliminate CO2 emissions that cannot be reduced.

## B. Implementing your plan

The successful implementation of this model depends upon establishing the following enabling conditions:

### 1. Governance.

Ensuring that senior leadership are informed, accountable, and empowered to take decisions.

### 2. Resources.

Dedicated expertise within the company to interpret strategy relative to the business environment and with training for key leaders as needed.

### 3. Budget.

Investment in capacity to generate business models which unlock broader business cases (i.e., efficiency) and in sustainable financing.

### 4. Collaboration.

Clear time and resources set aside for employees to seek active collaborations with the public and private sectors outside of the traditional business environment.

### 5. Project management.

Efficient implementation and cross-communication of complex strategy and clear processes for defining accountability and identifying bottlenecks.

## C. How to decarbonise hotels

**Most hotel companies can start to decarbonise immediately by following the steps from Iberostar's model:**

### 1. Create a corporate environment that facilitates decarbonisation

- i. Get your leadership involved. Then designate a sustainability lead who reports directly to leadership.
- ii. Empower your maintenance team. Can they work towards preventative maintenance? Do they have the budget necessary?
- iii. Empower your purchasing team. Do they have decision-making power? Do they actively maintain relationships with suppliers where they can ask for more detailed information on products or shifts on products?

### 2. Reduce your scope 1 and 2 emissions

- i. How much refrigerant gas are you buying a year? How will you ensure that you don't buy more the next year (e.g. resolving leaks or poor maintenance)?
- ii. Ask your energy provider if they have options for buying renewable energy (NB this is often just a certificate you can buy). Keep asking them in order to establish that there is interest.
- iii. Consider going fully electric, especially for heating and cooling and in kitchens.
- iv. See if you can alter your processes to reduce emissions from existing infrastructure: this may make more of an impact than speaking to your clients.

### 3. Reduce your scope 3 emissions

- i. If food is a major component of your service, estimate the portion of food being consumed in, at a minimum, ruminant meats, other meats, dairy, fish and seafood, legumes, grains/cereals (except rice), plant-based milk substitutes if in weight, even better). amounts of ruminant meats, other meats, dairy, fish and seafood, legumes, grains and cereals (not including rice) and plant-based milk substitutes that are being consumed by weight. Multiply these them by emission factors that can be found on the Cool Food pledge<sup>19</sup>, then set a target of dietary shifts to reach 25% reduction in a reasonable period.
- ii. Focus on reducing food waste, particularly of animal proteins and dairy. Start with your operations. Track and measure food waste where possible.
- iii. Question areas where you generate a large amount of waste. Avoid single-use plastic wherever possible. See if you can move towards bulk or reusable models.
- iv. Define internal criteria to source low emissions products and services for key categories.
- v. Understand the carbon footprints of the services you use (e.g. out-of-house marketing or IT). Their purchase of goods and services, their electricity consumption and their business travel may account for a major part of their carbon footprint. Encourage and prioritise companies that measure carbon footprint data and set emission reduction targets (move to renewable energy and reduce business travel are usually the first actions they take).
- vi. Engage with your top providers of all goods. Ask them if they know what their carbon footprint is. Encourage them to think about their own climate impact.
- vii. Focus on reducing water consumption and on maximising water recovery and recycling. Get support from systems to optimise management and improve monitoring.
- viii. Conduct employee surveys to understand mobility patterns. How do they come to work? What are desirable incentives to move to lower emission transport? Analyse responses and define mobility plans ad hoc for your



company.

- ix. Prioritise low emissions vehicles in business travel when possible. Establish preferential collaboration with companies that have decarbonisation plans in place (e.g., air lines, car rental companies, etc).
- x. If you have downstream leased assets, review current contracts and understand the influence needed to move to renewable energy as the first step.

## D. Potential barriers to decarbonisation

In moving forward Iberostar's ambitious agenda for decarbonisation, the company continues to face a number of bottlenecks and barriers, many of which may be relevant for other businesses in the Travel & Tourism sector and beyond.

**Any business in the sector looking to develop its own decarbonisation strategy must take the following potential challenges into account:**

### 1. Operational, Technical, and Methodological Limitations

#### i. Questioning operational efficiency.

Challenges to the way a company operates can sometimes be met with internal resistance. This demands sensitive handling by management, who are responsible for encouraging new behaviours and habits throughout the business.

#### ii. External infrastructure for Net Zero transitions

Decarbonisation relies on external infrastructure, such as energy grids, connectivity, and waste management, which can impose unanticipated delays and obstructions to a business's internal decarbonisation efforts.

#### iii. Infrastructure-related limitations for the electrification of hotels

The electrification of a hotel represents a large increase in demand for local electricity infrastructure. Modifications to substations of the wider power distribution grid may be required. It is therefore necessary to seek approval by the power utility and sometimes local or national government before electrification takes place, which can be a lengthy and unpredictable process.

#### iv. Technological bottlenecks

New technologies and improvements to existing ones are necessary, which limits the pace at which a business is able to decarbonise.

#### v. Need for high-quality measurements

Estimating a business's carbon footprint is an inexact science by definition, which makes it necessary to repeat calculations on a regular basis, in order to refine estimates and adjust policies accordingly.

### 2. Investments for Net Zero Transition

#### i. Investing in resilient infrastructure before renewable energy is available

Decisions on whether to invest in electrification may need to be made *before* renewable energy is available in a hotel's locale. Depending on the efficiency of the fossil fuel-powered alternative and the emission factor of the electricity in the destination, this could result in a temporarily higher carbon footprint. Grid health and electricity stability in regions prone to extreme weather events and power outages also need to be considered.

#### ii. Justifying necessary investment

The investments required for decarbonisation (i.e., electrification, energy efficiency, reduction of emissions from F-gases, etc.) may not be visible to guests or may require the closure of hotels to allow for refurbishment that directly impacts revenue. Such investments may have a less clear business case than the more traditional investments, such as refurbishments or upgrading services and amenities.

#### iii. Volume for influencing infrastructure

Justifying investment in infrastructure will require sufficient market demand. Without pre-competitive collaboration and/or analysis of the volume of demands at a destination, it may be challenging to justify investment in new infrastructure.

#### iv. Renewable energy transition maturity in destination

The ability to reach full decarbonisation in scopes 1 and 2 emissions, particularly with a focus on electrification, depends on transition to renewable energy transition in the destination.

### 3. Engaging the value chain

#### i. Balancing measurement and action

By definition, businesses and stakeholders generate scope 3 emissions outside of the control of the business looking to decarbonise. This makes scope 3 data collection and decarbonisation inherently more complex. Supply chain engagement, even without short-term decarbonisation action, must therefore be made a priority.

### 4. Dialogue and Collaboration

#### i. Absence of platforms for pre-competitive collaboration

There are currently few platforms for collaboration between hotels which enable them to share best practices, to facilitate candid dialogues about their bottlenecks, or to encourage collective action.

#### ii. Industry-to-industry dialogues

More information on embodied carbon is needed. Since food systems have worked extensively to demonstrate the carbon intensity of certain products over others, we know that shifting dietary sources is vital to decarbonisation. But such information is not easily available in other high-carbon areas such as technology, construction materials and furniture.

#### iii. Public and private dialogue

The development of coherent, reliable and workable decarbonisation policies in support of the accommodation sector's most ambitious targets requires an ongoing dialogue between public bodies and private enterprise, which can be time- and resource-consuming.

**The solution to all the potential challenges outlined above will require collective action on the part of the Travel & Tourism sector and collaboration across industries and with the public sector.** Any business looking to replicate Iberostar's decarbonisation model must match its commitment to working with stakeholders in its destinations and supply chains.





# CONCLUSIONS

**This case study of Iberostar’s groundbreaking decarbonisation strategy reveals eight key lessons for any business in the Travel & Tourism sector which is looking to reduce or eliminate its carbon footprint:**

- 1.** Setting ambitious targets and internalising the price of carbon drives action on sustainability across the business.
- 2.** Talent backed by senior leadership is needed to manage the transition. It may be necessary to secure new technical expertise.
- 3.** Effective data management and interoperability between internal systems supports decarbonisation efforts.
- 4.** Accurately measuring the business’s carbon footprint is important, but taking active steps to reduce it should always be prioritised.
- 5.** Complex business cases and review processes can slow down the adoption of decarbonisation measures both within the business and by clients.
- 6.** Building a strategic framework to guide and enable the decarbonisation strategy within the organisation and throughout its supply chain is critical.
- 7.** Regular reviews of the decarbonisation pathway help drive continuous improvement.
- 8.** Climate ambitions must be connected with other environmental targets. Circularity and nature-based solutions must be prioritised in the establishment of internal procedures, protocols and strategies to foster decarbonisation.

## ACKNOWLEDGEMENTS

### ABOUT IBEROSTAR:

Iberostar Group is a 100% family-owned multinational Spanish company, dedicated for more than 65 years to travel and hospitality, and with origins in the footwear industry in the island of Mallorca (Spain) dating back to 1877. The main line of business is Iberostar Hotels & Resorts with a portfolio of over one hundred 4- and 5-star hotels in 16 countries. Iberostar Group has a global team with more than 30,000 people of 95 nationalities. Thanks to this pool of talent, the company is a leader in quality and boosts differentiation in the customer experience through constant product innovation and digital commitment.

**The company has positioned itself as an international benchmark in responsible tourism by promoting a sustainable business model focused on caring for people and the environment.**

Iberostar's pioneering Wave of Change movement reflects its explicit commitment to the oceans, and the company's effort to share it with all of society. With sustainability as a business driver and lever, the company places the circular economy at the center of its strategy in its own 2030 Agenda, aimed at becoming waste free by 2025, carbon neutral by 2030, 100% responsible in its seafood consumption by 2025, and improving the health of ecosystems surrounding its hotels, among other targets. Iberostar Group has a global team with more than 30,000 people of 95 nationalities. Thanks to this pool of talent, the company is a leader in quality and boosts differentiation in the customer experience through constant product innovation and digital commitment.

Iberostar Hotels & Resorts division announced in November 2022 a long-term alliance with InterContinental Hotels Group to commercialize up to 70 hotels (24,300 rooms) from Iberostar's existing portfolio under the Iberostar Beachfront Resorts brand. This includes resorts and all-inclusive hotels in the Caribbean, the Americas, Southern Europe and North Africa. With this agreement, Iberostar sets the path to continue the outstanding growth that began 40 years ago with the creation of the Iberostar brand that positioned the company among the top resorts brands in the world. **The alliance with IHG combines strengths, represents a decisive step forward in the distribution of Iberostar's beachfront resorts, and reinforces its position as a benchmark in responsible tourism.** Strategic benefits include the opportunity to increase its international brand awareness and the access to the IHG One Rewards loyalty programme with over 115 million members.

### REPORT ACKNOWLEDGEMENTS:

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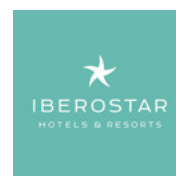
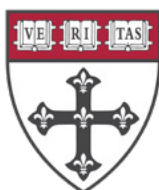
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## ENDNOTES

- 1 <https://wires.onlinelibrary.wiley.com/doi/full/10.1002/wcc.165> [https://wttc.org/Portals/0/Documents/Reports/2021/WTTC\\_Net\\_Zero\\_Roadmap.pdf](https://wttc.org/Portals/0/Documents/Reports/2021/WTTC_Net_Zero_Roadmap.pdf)
- 2 Scope 1 covers direct greenhouse gas emissions from owned or controlled sources by the reporting company; Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company; Scope 3 includes all other indirect emissions that occur in a company's supply chain from suppliers or customers. <https://www.climatepartner.com/en/scope-1-2-3-complete-guide>
- 3 [Iberostar Hotels and Resorts roadmap for short-term decarbonisation in operations and supply chain](#) was launched at COP27, the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change, in November 2022.
- 4 WTTC x Harvard Learning Insights Science-based Targets. <https://wttc.org/Portals/0/Documents/Reports/2021/WTTC-Harvard-LearningInsight-ScienceTargets.pdf?ver=2021-06-17-110547-140>
- 5 The SBTi is a partnership between CDP, UN Global Compact, the World Resources Institute, and the World Wide Fund for Nature. <https://sciencebasedtargets.org/companies-taking-action>
- 6 <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>
- 7 <https://waveofchange.com/resource/decarbonization-roadmap/>
- 8 <https://ghgprotocol.org/corporate-standard>
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- 19 <https://coolfood.org/pledge/>



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