Is Travel & Tourism Ready for Mandatory Emissions Reporting?

The Travel & Tourism sector entered 2023 like a marathon runner hitting the last six miles of a race. It fought its way through almost two years of the COVID-19 pandemic — only to be overwhelmed, as the disease waned, by an unprecedented surge in travel by people tired of quarantines and lockdowns. With many in the sector still struggling to fill their workforces to handle this significant uptake of travel, big and small companies alike now face their next challenge — the accelerating transition from voluntary to mandatory sustainability reporting. Are they ready for it?

In 2024, the first wave of tougher mandatory regulation on sustainability disclosure takes effect as new European Union sustainability rules start to compel the largest companies operating in the bloc to begin gathering data on greenhouse gas emissions. These new rules — including the Corporate Sustainability Reporting Directive — also require companies to submit annual transition plans for reducing emissions. Plans must be compliant with limiting the rise in Earth's temperature to 1.5 degrees Celsius — a target set by the 2015 Paris climate agreement — with the progress on meeting those goals available to corporate stakeholders and the public annually.

But the last couple of years have been busy when it came to sustainability. Not only did the EU impose new mandatory regulations, so did the United Kingdom, Australia, Canada, India, and Singapore. The Securities and Exchange Commission in the United States is also expected to move in the next few months to adopt similar Climate Disclosure Requirements that would make formerly voluntary emissions disclosures mandatory for US publicly registered companies. And most recently, the International Sustainability Standards Board (ISSB) — affiliated with the influential International Accounting Standards Board — released what will eventually become the international norm for sustainability accounting. All the new standards require disclosure of Scope 1, 2, and 3 emissions under the Greenhouse Gas Protocol for corporate accounting.

New report and survey

Given the deluge of new mandatory standards, it's time for Travel & Tourism to assess how prepared the sector is. After surveying sector members for a report expected to be released in the fourth quarter, the World Travel & Tourism Council (WTTC) and Oliver Wyman have

concluded there is still considerable work to be done before the sector will be up to the task.

According to WTTC's groundbreaking new research, Travel & Tourism is currently responsible for 8.1% of global greenhouse gas emissions. While many of the sector's biggest companies have set 2050 emission-reduction targets, just as many have just started to consider how to address climate change in their business. Thus, there is a wide range of understanding and readiness in Travel & Tourism when it comes to the upcoming reporting requirements.

Navigating the compliance landscape will be no easy task—especially for a sector with operations spanning multiple countries and enterprises that run from a few employees to thousands. Even in a single jurisdiction, the complexities of managing multiple subsidiaries, suppliers, and partnerships will be daunting.

These hurdles become even higher, considering that 80% of sector members are small and midsize companies with limited resources to invest in new personnel and technology. Recognising this, WTTC and Oliver Wyman will be including in the upcoming report a tool to help the sector navigate the requirements.

Company trepidations

One concern raised by most participants in our survey was the sector's lack of resources, capabilities, and expertise to tackle the demands of the new regulations. In the past at many Travel & Tourism companies, sustainability personnel were more likely to deal with branding and marketing or operational issues than with accounting or data collection. But compliance with these kinds of rigorous sustainability disclosures rises above a mere accounting exercise to become more of an organisation-wide shift in culture, and sustainability teams will not be able to tackle the upcoming challenge alone. More education and internal expertise on sustainability will be needed across organisations.

Another challenge facing the sector is data collection. The broad and fragmented value chains of many companies in the sector, make it not only difficult to ensure that data is assembled in a timely manner, but also that the information on emissions — especially Scope 3 emissions, which are produced by a company's upstream suppliers and downstream users — is in fact accurate. With the absence of sector-specific guidance, some form of sector collaboration may be needed for the first few years.

Generally, companies are struggling to reconcile the investment needed in new data collection capabilities with investment already being made in initiatives to reduce emissions and meet other environmental, social, and governance goals. Of course, at the same time,

additional spending on new personnel and operations has been required across most organisations to meet the rising demand.

But ready or not, the regulations have arrived, and especially for the biggest companies and networks, the time to act is now.

The good news for the sector is the potential benefit Travel & Tourism enjoys from any efforts to preserve nature and the planet's hospitable climate. Few sectors will be challenged more by the rise in severe weather and environmental crises as well as the disappearance of Earth's biodiversity, which should provide adequate incentive for companies to go beyond mere compliance.

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