

# Case Study 4: Low carbon transition – potentials and limitations for tour operators

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## Introduction

The role of businesses in climate change is complex. From a political economy perspective, businesses are crucial actors in reducing emissions, simply by adapting products and operations. In this process, they are influenced by their wider societal, political, and economic environment, whilst simultaneously governing climate change mitigation by shaping rules and norms of how the issue is best addressed (Newell, 2008a, 2012; Bulkeley & Newell, 2010). The low carbon transition of travel and tourism is situated in this political economy context. Ideally, industry's projections for technological innovation and operational changes around aircraft, infrastructure, and fuel would come together to halve 2005 emissions by 2050, as mapped by the International Air Transport Association (IATA, 2013).

However, researchers modelling tourism's emissions development have questioned such optimism, let alone change at the scale necessary to avoid dangerous climate change (Scott *et al.*, 2010; Gössling *et al.*, 2010). They consider more substantial adaptations to tourism to be essential in order to avoid dangerous climate change; including modal shift away from flying to travel by train and road as well as travel to nearby destinations alongside efficiency improvements (Peeters & Dubois, 2010; UNWTO, 2008). Hall (2009: 59) makes the case for de-growth as a guiding concept on the path towards 'sufficient and efficient' sustainable tourism.

The political economy literature on global environmental governance can help to explore the connection between business and climate change. It recognises that global environmental politics is not exclusively conducted by nation states via formal regulatory processes, but is shaped by a complex set of stakeholders from the local to the global, and entails binding regulation as well as formal and informal rules and norms of how to deal with the environmental impacts of economic activities (Levy & Newell, 2006; Bulkeley & Newell, 2010; Newell, 2012). Self-regulation

and market-based mechanisms are increasingly common forms of environmental governance; they are often characterised by the privatisation and commodification of natural resources, building on an understanding that the market is the ideal place to trigger innovation (Haufler, 2001; Bakker, 2005; Newell, 2008b). The influence of private actors in global environmental governance has not always been positively perceived. In particular the power of transnational corporations has sprung a debate around whether regulation is '*regulation for business rather than regulation of business*' that enables and protects investment (Newell, 2001: 910 – emphasis in original). Overall, Newell (2008b, 2012) argues, concerns around trade and a globalising economy have overshadowed and shaped how environmental issues are governed.

A political economy approach therefore explores environmental issues by engaging with questions of '*Who governs and who is governed? How do they govern? On whose behalf? With what implications?*' (Newell, 2008a: 507). To this, this case study adds the question of why tour operators address, and in the process govern, climate change in a particular way.

A political economy approach sees governance and business as interlinked. Businesses do not shape rules and norms in isolation; they are influenced by the dynamic regulatory, discursive, technological, and productive environment, in which they operate (Newell, 2008a). This duality draws attention to the potential political implications of a discrepancy between how tourism businesses address climate change and how the tourism industry at large needs to address the issue in order to keep global warming below 2 degrees Celsius. Models on emissions development clearly show conflicts between business as usual and necessary emissions reductions (Scott *et al.*, 2010). Against this background, a political economy approach draws attention to the potential contradictions between corporate interests and solving societies' wider environmental concerns; a conflict also captured by Naomi Klein (2014).

In particular, a Neo-Gramscian perspective on global environmental governance is useful to contextualise business measures around climate change and better understand business responses (Levy & Egan, 2003; Levy & Newell, 2005). It draws on Gramsci's (1971) work on hegemony, a dominance of the ruling class that is achieved not through coercive control, but by ensuring that society identifies with the political and material interests as well as with the ideologies of the dominant class. When applied to the economic and environmental realm, climate change may constitute a threat to the hegemonic corporate market position; consequently, business reactions to environmental risks can be understood as strategies to '*sustain corporate dominance and legitimacy in the face of environmental challenges*' (Levy & Newell, 2005: 58).

Respective corporate strategies to environmental problems can be material, discursive, and organisational, intended to shape perceptions and understandings of tourism and climate change in civil society and governments (Levy & Newell, 2005; Levy & Egan, 2003; Duffy & Stroebel, 2016). Material strategies to protect corporate

market positions take the form of developing low-impact products and technological strategies, such as carbon offsetting and investments into biofuel research. Discursively, businesses can attempt to protect their position by presenting themselves as environmentally responsible and engaged actors as well as by shaping the public debate, for instance by challenging scientific knowledge and making the case for tourism's economic importance. At the organisational level, building coalitions between business actors and institutions supports the protection of hegemony further (Levy & Egan, 2003; Levy & Newell, 2005). By employing and coordinating these strategies, businesses and their representatives influence perceptions around environmental impacts and solutions and secure market positions and legitimacy (Levy & Egan, 2003; Levy & Newell, 2005).

The measures listed above are familiar in the corporate social responsibility (CSR) literature. However, the Neo-Gramscian perspective on environmental governance differs from much of this literature in that it recognises the political implications of these activities (for an exception see Levy & Kaplan, 2008; Scherer & Palazzo, 2011). In effect, this means addressing emissions is not only environmentally and/or economically motivated; the measures and discourses around CSR are highly political. They create and promote rules and norms around how an environmental issue is best addressed (Haufler, 2001; Levy & Newell, 2005).

While corporate responsibility has helped reduce environmental impacts in many industries, CSR generally requires a business case that is either financial or related to positive stakeholder perception (Carroll & Shabana, 2010; Kurucz *et al.*, 2008). Arguably, CSR only takes place when it is profitable (Doane, 2005). This limitation is crucial when CSR is viewed as a form of governance (Haufler, 2001; Levy & Kaplan, 2008). It means that limits for corporations may limit positive outcomes of governance more broadly. It is therefore important to understand the potential for a low carbon transition at the level of individual businesses and reflect upon the implications for governing a low carbon transition.

## Business approaches to climate change

For businesses, environmental concerns are but one aspect shaping strategic and operational decision-making. Sustainable growth and profitability are the fundamental paradigms that underpin tour operator activities (Thomas Cook Group, 2013; TUI Group, 2016). In recent decades, businesses have been able to draw from ever-growing international arrival numbers, which were expected, promoted, and celebrated (UNWTO, 2012; 2014). However, researchers forecast that under a business-as-usual scenario, growth in demand for travel will lead to an increase in absolute CO<sub>2</sub> emissions of tourism-related activities from 1,167 Mt in 2005 to 3,057 Mt by 2035 (UNWTO, 2008). Absolute emissions reductions in tourism cannot rely on technology alone – they require a combination of technological, behavioural, and operational changes – yet models reveal conflicts between forecast growth and