BTN

BUSINESS TRAVEL NEWS

June 27, 2022

THE MECHANICS OF SUSTAINABLE BUSINESS TRAVEL

EDITOR'S LETTER

Before Net Zero

Last month I attended BTN Group's first in-person Sustainable Business Travel Summit. It was such a pleasure to see our friends and colleagues face to face, but also inspiring to see an industry collaborating furiously around a single issue. Awareness of the stakes involved in not cleaning up the carbon emissions released from our collective business travel activities has never been clearer, never been more urgent.

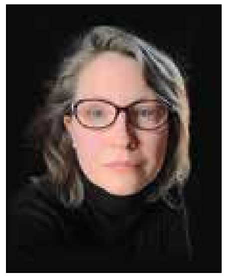
But there is a lot to do. And there is a lot still to learn.

Travel managers won't instantaneously become sustainability experts just because our respective organizations have newfound—and, in some cases, newly regulated—attention for limiting carbon emissions. Thankfully, many companies, including those in the travel industry, have hired sustainability experts into their ranks to lead these efforts.

If your company has done so, by all means lean into that resource and see how you can be a part of your organization's overall sustainability solution. If not, then reach out to your travel industry partners and understand how you can take the initial steps of tracking the carbon footprint of your organization's business travel. Your travel management company, airlines, hotels and third-party data experts are developing the tools to get you started.

As always, the first step really is education. I hope this issue can put you on the path toward more sustainable business travel policies and practices. We've reported some recent—and important—news about new resources and services coming into play, trends articles on the industry trajectory toward sustainable practices and also provided in-depth explainers about the mechanics buyers like you are engaging with to reach carbon reduction targets for business travel.

BTN also wants to do its part to provide sustainability resources and tools to you, the business travel manager. As such, we've partnered with CAPA Centre for Aviation and Envest Global to distribute their recent—and excellent—airline sustainability benchmarking report. You'll find that for sale on our website www.businesstravelnews.com, along with our always-free access to best-practices articles and information to get your sustainable business travel strategy going.



Make sustainable travel everyone's business,

Elizabeth A West

Editorial Director, BTN Group

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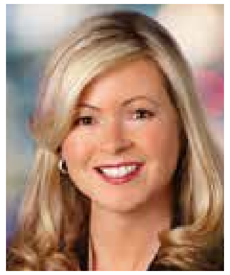


Dear BTN Readers,

At Avis Budget Group, we recognize the importance of our role as one of the world's leading global transportation providers. As a result, we promise to support the transition to a low-carbon economy and employ practices that promote a more fair, just, and equal workplace and community.

Last year, we were proud to announce our full set of ambitious sustainability targets by 2030, which set out our sustainability approach to addressing the environmental impacts of climate change and the social impacts of racial inequalities.

So, where do we go from here? We will continue to operate as a values-based organization and remain focused on the economic, social and environmental forces that will shape the health and prosperity of our business and the world.

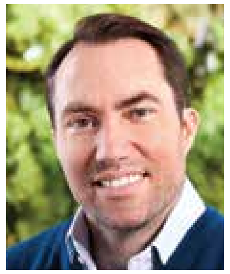
We will leverage our scale, our deep industry knowledge, our capacity to innovate, coupled with the emergence of new models for transportation solutions to propel Avis Budget Group's contributions to sustainable development in the decades to come.

We are also doing our part to help make cities smarter, roads safer, traffic flow more efficient, driving more enjoyable and transportation more sustainable.

Our ambitions are high, and we humbly acknowledge that we are only at the very beginning of our journey.

Beth Kinerk
Senior Vice President, Sales
Avis Budget Group

HRS



To Our Corporate Travel Colleagues:

Sustainability is the mega-trend of the decade. Increasingly, issues touching sustainability can be found in the everyday choices we make, places we go, products we use.

In April 2022, Deloitte shared the results of an expansive survey of 150 U.S.-based travel buyers. The findings on sustainability illustrate the challenges and opportunities apparent today:

- A third of travel managers say their companies have pledged to reduce carbon emissions by a specific amount within a specific time period.
- A quarter plan to prioritize travel suppliers that invest in sustainability.

BTN's 2021 survey included similar findings from European buyers; 38.2 percent said that if all elements were equal, they would prioritize suppliers aligned on sustainability goals. All the trends point to sustainability having an outsize impact as business travel recovers from the pandemic.

At HRS, we're maximizing our technology and resources to help make business travel better, smarter and more sustainable. Our Green Stay Initiative has registered remarkable traction as buyers and hoteliers seamlessly incorporate hotel metrics on carbon, water and waste into lodging procurement. Global chains like Accor and Marriott participate today, along with hotels in 72 countries and counting.

The storylines in this issue are critical for our industry. We're grateful for the opportunity to sponsor this issue with BTN, and look forward to engaging with the entirety of the managed travel ecosystem to help preserve our planet for future generations of travelers worldwide.

Sincerely,

Tobias Ragge
CEO
HRS Group

UNITED FOR BUSINESS

To the Readers of BTN,

As we collectively work toward a more sustainable future, I am inspired by the shift we've seen in our industry.

At United, we're rewriting the narrative of how an airline should respond to the climate crisis. The evolving nature of the airline industry gives us space for innovation and forward-thinking. I'm proud of the leadership we've taken on fighting climate change, but I don't want us to be in this space alone.

Working with our fellow airlines and collaborating with other industries will accelerate real solutions and lasting change.

We recognize our contribution to climate change, and therefore our responsibility to help solve it. Our pledge to reduce 100% of our greenhouse gas emissions by 2050 is a formidable feat – one that requires collaboration, perseverance, and old-fashioned hard work. Plus, the transparency we offer allows for both celebration and accountability as we hit key milestones.

I'd like to extend my appreciation to BTN for their continued coverage of this important work; and I'd like to thank you, the readers, for staying informed and equipping yourselves with the tools needed to make more sustainable travel decisions.

As we continue to walk this walk, I'm confident our shared sentiment will result in the linking of arms down the path toward decarbonization. Our mission at United is *Connecting People and Uniting the World* – and we're helping to ensure our world has a better future.

Sincerely,

Doreen Burse
Senior Vice President, Worldwide Sales
United for Business

CAPA, Envest Global Benchmark Airline Sustainability for Corporate Buyers

BY DONNA M. AIROLDI

Building on the joint CAPA-Envest Airline Sustainability Benchmarking Report released last fall through CAPA that was geared toward airlines and the investment community, the companies have teamed up again to create a new airline sustainability benchmarking report directed at corporate buyers, Envest strategic advisor Johnny Thorsen announced in May at the BTN Group Sustainability Summit in New York.

The report provides recommendations for how corporate buyers can put together a customized approach for assessing an airline's sustainability. It also includes an analysis of publicly reported sustainability information and strategies from 2019-2020 on 52 carriers, including the 20 largest operators by revenue and seat capacity in 2019, their most recent Carbon Disclosure Project score and alignment with the Science Based Target initiative.

"The airlines will be made aware [of the report]," said Thorsen, who also is VP of strategy and partnerships for the recently launched travel management company Spotnana. "I have tested the waters with a few airlines, and they may react defensively. We expect that, because the airlines are not used to being called out on their sustainability data."

Thorsen stressed that the report is "not meant to name and shame," the airlines. "It is to get facts on the table. It is to create a transparent data environment." He hopes it will motivate the airlines to provide better reporting because that's what buyers

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Disclosure: BTN is acting as the exclusive distribution partner of this report to the corporate travel industry; BTN has a commercial interest in sales of this report.

Amex GBT and Shell Team Up for SAF Program

BY ROB GILL

American Express Global Business Travel is teaming up with energy giant Shell and professional services company Accenture to create a new platform for purchasing sustainable aviation fuel.

The three companies have launched Avelia, which is a "book-and-claim" platform for sourcing SAF, which reduces carbon emissions from flights compared with traditional kerosene jet fuel.

Book-and-claim allows travelers to pay for SAF and claim the benefits, even if SAF is not available at their departure airport, with the fuel instead being fed into another aircraft in an airport where SAF is available.

Avelia aims to share the costs and benefits of SAF across the

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What's Inside

Carbon emissions are categorized into three groups targeted for reduction. Business travel is generally considered a 'Scope 3' target.

SCOPE 1
Direct; e.g. fuel usage to power manufacturing

SCOPE 2
Indirect emissions produced by energy consumption; e.g. lighting and heating facilities

SCOPE 3
Indirect emissions from the value chain; e.g. business travel

IATA Urges Gov't Action on SAF

BY ROB GILL

The International Air Transport Association, during its annual general meeting in Doha, beseeched governments to put in place "large-scale" incentives to encourage the use of sustainable aviation fuels.

IATA said the use of SAF would play a leading part in the industry's commitment to achieving net zero carbon emissions by 2050, with sustainable fuel set to account for 65 percent of aviation's carbon mitigation in the next 30 years.

This would require the creation of 449 billion liters of SAF around the world—currently annual SAF production is only at 125 million liters a year with investment set to increase this to 5 billion liters annually by 2025. IATA added that "effective government initiatives" could boost production to 30 billion liters per year by 2030.

Willie Walsh, IATA's director general, said: "Incentives to transition electricity production to renewable sources like solar or wind worked. As a result, clean energy solutions are now cheap and widely available.

"With similar incentives for SAF, we could see 30 billion liters available by 2030. Though still far from where we need to be, it would be a clear tipping point towards our net zero ambition of ample SAF quantities at affordable prices."

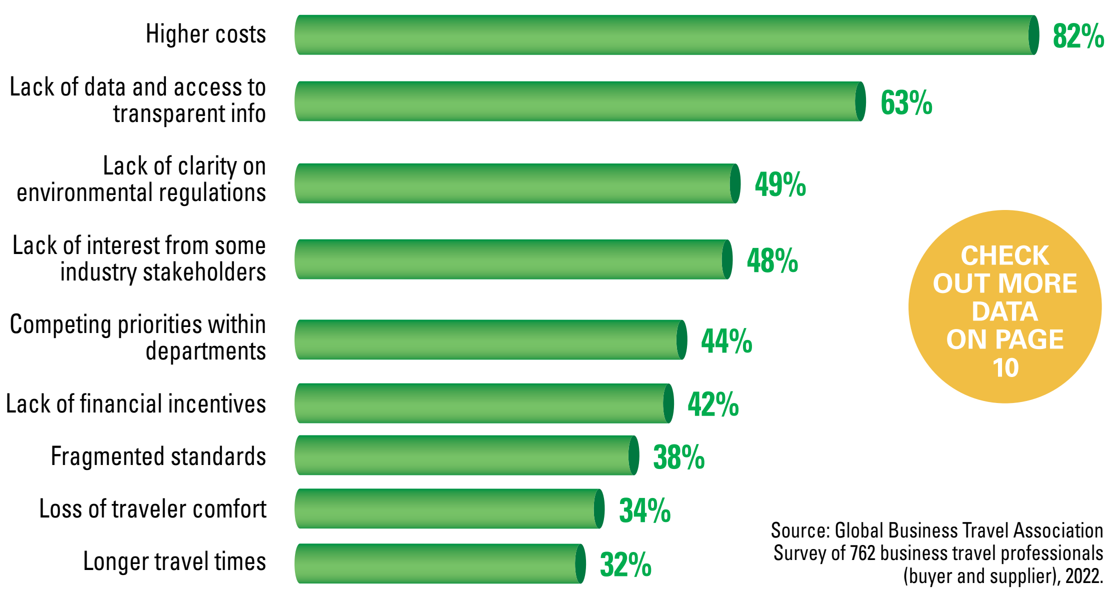
IATA praised the U.S. for introducing "heavy government incentives" for SAF production, but criticized Europe as the "example not to follow" because of the EU insisting on SAF being used at every airport across member states.

"Under its Fit for 55 initiative, the EU is planning to mandate that airlines uplift 5 percent SAF at every European airport by 2030," added IATA. "Decentralizing production will delay the development of economies of scale, and forcing the land transport of SAF will reduce the environmental benefit of using SAF."

SAF was in the spotlight at IATA's annual general meeting in June, with American Express Global Business Travel announcing a partnership with energy giant Shell and Accenture to create the Avelia "book-and-claim" platform allowing corporate clients to purchase the fuel (see facing page).

Barriers to Progress

What do you see as the main barriers for a sustainability transition in the business travel sector?



Source: Global Business Travel Association Survey of 762 business travel professionals (buyer and supplier), 2022.

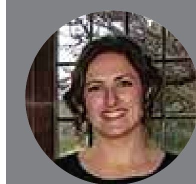
THIS ISSUE'S BUYERS

BCG's **Gehan Colliander** *page 20*

S&P Global's **Ann Dery** *page 25*

Bill & Melinda Gates Foundation's **Pam Massey** *page 28*

HSBC's **Claire Turner** *page 32*



Siemens UK's **Emma Eaton** *page 32*

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4Sight

Four industry pros sound off on what is both challenging and promising about building sustainable actions and solutions into the future of business travel.

THE WORKPLACES WE WANT

"More and more, people want to work for an organization whose values align with their own—and they want to see these sustainable values integrated across different functions, including travel."

BCD TRAVEL VP & EXECUTIVE CHAIR OF SUSTAINABILITY
Kathy Jackson

A November 2021 survey of 101 BCD Travel clients showed that 70 percent were prioritizing sustainability within their organizations.

BUILD INDUSTRY STANDARDS

"Agreeing on best practices across the industry to measure sustainability efforts is an obvious gap as well as access to accurate, timely data for reporting purposes. You cannot set goals without the measures."

GBTA SVP SUSTAINABILITY
Delphine Millot

GBTA is currently working on a toolkit for the managed travel industry that will offer a standard set of sustainability metrics and guidance.

TRAVEL IS ESSENTIAL

"There are no alternatives [to air travel] to get efficiently across an ocean, so we need to recognize that there is a valuable service with air travel—a value in human connection and exchange of ideas—but it must be responsibly managed."

UNITED AIRLINES SR. MANAGER OF ENVIRONMENTAL SUSTAINABILITY & CLIMATE
Rohini Sengupta

United Airlines has made significant investments in sustainable airline fuels and recently launched a sustainability reporting feature for corporate travel managers within its Jetstream portal.

HOW WE GET THERE

"Climate change is a top priority for organizations worldwide. This [will mean] transitioning to less carbon-intensive modes of travel [and identifying] additional emissions reduction levers, including the use of sustainable aviation fuels, purchasing independently verified carbon credits, etc."

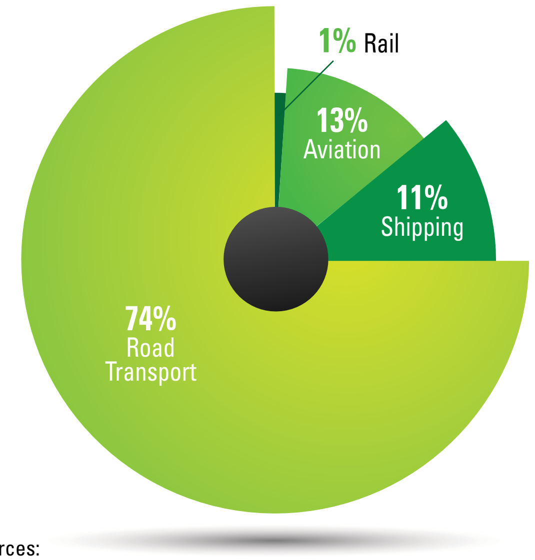
BCG GLOBAL HEAD OF TRAVEL
Gehan Colliander

BCG has been a certified carbon-neutral company since 2018 and in 2020 committed to reaching net zero climate impact by 2030. The firm is investing in innovations like carbon sequestration in addition to reducing carbon emissions.

DataHub | TRAVEL EMISSIONS BY THE NUMBERS

The travel industry has work to do when it comes to carbon emission reduction. Business travel managers will shape the future by stimulating demand for sustainable partners. But it's not all about market dynamics. Government regulation and incentives will come into play, as well. Take a look at the numbers below and keep in mind that the airline industry is 80 percent more efficient than it was in the 1960s thanks to aircraft innovations. Hotels by 2021 had reduced emissions by 10 percent compared to 2015. That said, net zero remains a distant goal for most suppliers.

Emissions from Transportation Modes



Sources:
Air Transport Action Group, 2020
McKinsey & Co., The Net Zero Transition: What Would It Take, 2021

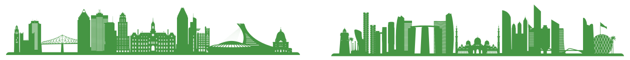
Hotel Emissions Estimates: Two Views

U.S. Averages by Segment: Onsite restaurants and meeting spaces make a difference in carbon footprint for every guest, whether the services are used or not.

Economy to Midscale	Upscale to Luxury
15.13 kg/guest room/day	26.6 kg/guest room/day

Source: Carbonfund, 2020

City-to-City Perspective, All Segments: Averages may not mean much, however, when individual properties and cities show huge swings in emissions.

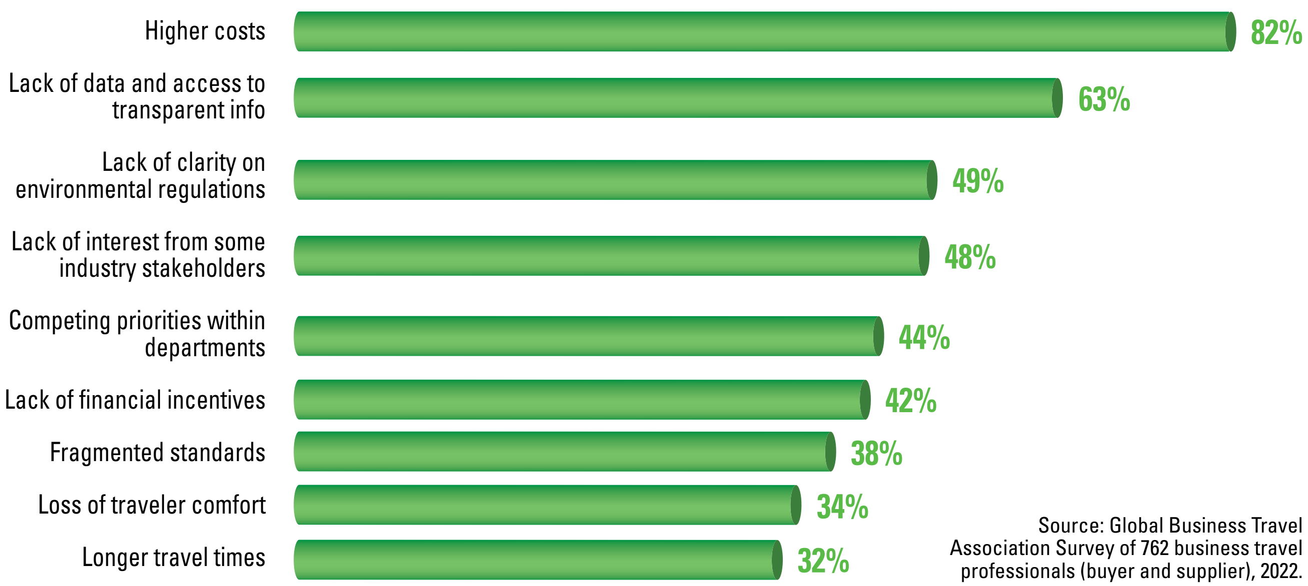


Montreal (best)	Abu Dhabi (worst)
20.5 kg/sq. meter	251.6 kg/sq. meter

Source: Cornell Hotel Sustainability Benchmarking Index, 2021

Barriers to Sustainability Progress

What do you see as the main barriers for a sustainability transition in the business travel sector?



Source: Global Business Travel Association Survey of 762 business travel professionals (buyer and supplier), 2022.

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CAPA, Envest Global Benchmark Airline Sustainability for Corporate Buyers

need as sustainability becomes a higher corporate priority.

"Several buyers have already agreed that they will tell their airlines, 'I want you to provide the most accurate data to this environment, because that helps me to select you,' " he said.

Sustainability Assessment Guidelines

The report recommends adopting a single carbon calculator for all city-pair emission estimates "to ensure a degree of consistency," when it comes to data. Report authors stopped short of endorsing a particular calculator because calculations "vary significantly depending on the carbon calculator used."

Thorsen added that the only current scientific standard is that "fuel equals carbon emissions. There's no debate about that. The more fuel an airline burns, the more they emit. [Calculating fuel] is a starting point."

Beyond calculator recommendations and caveats, the report aims to guide buyers on how to select air carriers with four strategy recommendations, including a "whole-of-airline sustainability performance," which considers elements like average fleet age, passenger load factors, carbon emissions per passenger kilometer, a carrier's sustainability strategy and sustainable aviation fuel usage, among others.

Authors also address individual flight selection once the travel buyer has identified the company's preferred airlines, even though most current calculations included in a booking tool become a "random number three weeks before [an employee] travels," Thorsen said. "Because you have no knowledge of what aircraft will be used on that day, the load factor can be high or low. There are so many unknowns. But it's a good way to educate travelers about the likely impact of travel."

Thorsen noted that each corporation will have different sustainability goals and place different weights on variables. "Some buyers are prepared to say sustainability wins 100 percent over cost, so lowest emission will win over lowest price. Others will say they still want the best price, but if all things are equal, they'll take the lowest emissions as the second criteria."

There's also cabin class to consider, carbon budgets, policies with flight avoidance—such as an online booking tool not allowing a flight to be booked when it's a short trip and rail is preferred. There are several elements and innumerable outcomes, "and I don't believe buyers will come up with the same conclusions," Thorsen said.

The next iteration of the report will include data from 2021, according to Thorsen, as well as a configurable index, so buyers can assign weights based on what is most important for their overall corporate sustainability goals, because sustainability is becoming increasingly important across corporations.

Thorsen said that travel managers will begin to be asked by their bosses, " 'What was our average emission per flown hour last year?' If you don't have an answer, you are not doing your job," he said. "It might not happen now, but you have to be ready for that question. If your company has an ESG board, it will come. We're preparing the travel manager for the fact that you cannot hide from this. It will find you."

"It's not meant to name and shame [the airlines.] It is to get facts on the table. It is to create a transparent data environment."

— ENVEST GLOBAL'S JOHNNY THORSEN

ATPI ADDS SUSTAINABILITY SERVICES FOR U.S., CANADIAN CLIENTS

Travel management company ATPI Group is expanding the availability of its ATPI Halo sustainability consultancy division to business in Canada and the United States. The division—which includes providing recommendations on sustainable travel policies, emissions tracking and reporting tool access to accredited offsetting services—will be led by the U.S.-based Direct Travel Team via its joint company, Direct ATPI Global Travel. The services "ensure our mutual clients can both reach and exceed the sustainability goals set out by worldwide governments to become net zero by 2050," according to Direct Travel CFO John Coffman. ATPI launched ATPI Halo last September.

CTM NAMES NEW GLOBAL SUSTAINABILITY HEAD

Corporate Travel Management has named John Nicholls as global head of ESG and sustainability, a new role at the travel management company. Nicholls joins CTM from Australian construction and civil engineering company Besix Watpac, where he was the sustainability manager, and he has worked on carbon reduction initiatives and improving sustainability visibility across both the public and private sector, according to CTM. At CTM, Nicholls in a statement said he would "build upon existing initiatives such as the CTM Climate Plus program and sustainable aviation fuel agreements with partners like Delta Air Lines to drive positive, measurable outcomes."

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Amex GBT and Shell Team Up for SAF Program

business travel sector by giving airlines access to the "buying capacity" of corporate customers who are willing to share the higher cost of purchasing SAF, which is currently four to five times higher than normal jet fuel.

The platform, which uses blockchain-based technology, has been developed by Shell and Accenture, with the support of the Energy Web Foundation. Working with Amex GBT will allow Avelia to aggregate global business demand for SAF to help increase supply and use of the fuel.

"A truly viable route to decarbonizing air travel is now open for business. We're calling on all companies to join us and share the costs and benefits of SAF across the travel and aviation sectors," said Amex GBT CEO Paul Abbott in a statement. "Airlines will gain access to the buying capacity of businesses, drawing from Amex GBT's 19,000 customers around the world."

The pilot phase of the program aims to demonstrate the "credibility" of the book-and-claim model by using blockchain technology to account for and track the environmental benefits from using SAF for both the corporate client and the airline.

"SAF is a key enabler of decarbonization in the aviation industry, and it's available today. However, it's currently scarce and costs more than conventional jet fuel," Shell Aviation president Jan Toschka said in a statement. "Avelia will help trigger demand for SAF at scale, providing confidence to suppliers like us to further increase investment in production, and in turn helping to lower the price point for these fuels."

"Our vision for the Avelia platform is to bring together airlines, corporates, cargo players and SAF suppliers in a trusted ecosystem that no individual company could build or access on its own," Europe strategy lead for Accenture Rachel Barton added. "Blockchain technology will be piloted to help ensure trust via data integrity, validate proof of ownership and enable transparent tracking of the environmental benefits of SAF for customers."

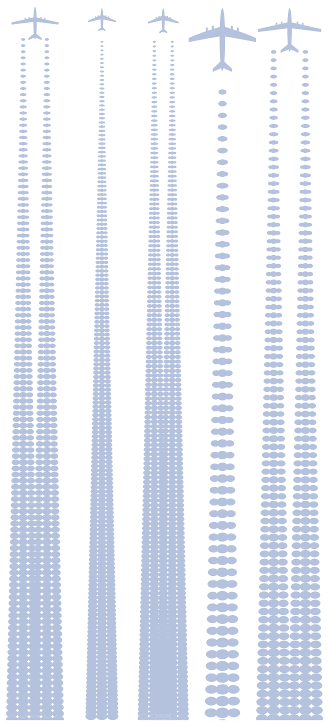
"We're calling on all companies to join us and share the costs and benefits of SAF across the aviation sectors."

—AMEX GBT'S PAUL ABBOTT

AMEX GBT M&E'S NEW SUSTAINABILITY ADVISORY

The meetings and events division of American Express Global Business Travel in May announced new services to support clients' carbon-reduction targets for in-person meetings.

The Sustainable Meetings Program provides advisory services to assess current carbon emissions associated with events and partners to design an end-to-end meetings management strategy and supporting systems, metrics and reporting aligned with the client organization's overall corporate sustainability goals, according to Amex GBT M&E. Carbon Neutral Events uses a proprietary Amex GBT carbon calculator that helps organizations reduce, measure and offset event emissions. Both are charged to clients as add-on services.



PLANTING THE SEEDS FOR GREEN TRAVEL

BY LAUREN ARENA

SUSTAINABLE BUSINESS TRAVEL IS EVERYONE'S BUSINESS.

After two years of virtual meetings and webinars, corporate road warriors are making a comeback but some aspects of business travel strategy, policy and execution are changing.

A study released by the Global Business Travel Association in June found that sustainability has come into sharp focus for corporate travel stakeholders, with almost nine in 10 respondents reporting that sustainability is a priority for their company. But awareness doesn't necessarily mean action.

GBTA collectively surveyed 762 global industry professionals, comprising both corporate travel managers and suppliers, between January and March this year and found that despite an overarching consensus of 88 percent on the need to address climate change, only 56 percent of companies are reporting sustainable elements of travel and a mere 42 percent are integrating sustainability into travel policies. Among travel buyers, that figure was only 38 percent.

"Sustainability is a journey," said Delphine Millot, GBTA's senior vice president of sustainability, a newly created role within the association.

But it's a journey that's running out of time in an epic way.

In an opinion piece penned last year in BTN on the occasion of the Intergovernmental Panel on Climate Change releasing its 2021 report, Thrust Carbon co-founder Kit Brennan put it this way:

> *The world has been talking of net-zero by 2050 to limit global warming to under 1.5C. Whenever someone talks about the Paris Agreement, they are referring to this 1.5C pledge. The new [IPCC] report shows that the greenhouse gases released by human activities already have resulted in 1.1C of warming since 1900. And that's just the start. Over the next 20 years, global temperatures are expected to surge past 1.5C of warming in every likely mitigation scenario.*

In the best-case scenario, Brennan wrote, global governments and industries would collaborate to achieve net zero emissions by 2050. Even that scenario would miss the stated target and push global warming to 1.6 degrees Celsius. At that rate, he added, 8 percent of plants would lose their geographic range, affecting agriculture systems and pushing hundreds of millions of people into food insecurity. Sea level would rise, threatening islands and coastal cities. And catastrophic weather patterns would become significantly more frequent.

AN INDUSTRY TAKING ACTION

Air travel, which is by far the most carbon intensive aspect of travel, currently represents about 2.1 percent of global carbon output. The type of emissions, combined with release of water vapors at high altitudes, however, may intensify their contribution to global warming to about 5 percent. Hotels, road vehicles and even trains—to a much smaller extent—contribute to the global warming effect of travel as well.

So in the broader scheme, and with the consequences at stake as outlined by the IPCC, the travel industry does have a role in the collaborative and structural effort of government, corporations and individuals to contain its contribution to global warming.

The aviation industry has made strides towards decarbonizing travel. Last October the International Air Transport Association released its Fly Net Zero plan, which combines sustainable aviation fuel, new aircraft technology, more efficient operations and carbon capture to achieve net zero emissions for aviation by 2050.

SAF will fuel the majority of aviation's global emissions mitigation, but production and price are hurdles to widespread adoption. IATA is advocating for more government intervention to incentivize SAF production and has called on the industry to participate in activities that stimulate volume demand that will increase production and bring prices down. IATA director general Willie Walsh has pointed to past clean energy initiatives that have succeeded in just that. As travel resumes post-pandemic, the good news is that more airline companies are forging agreements large and small with SAF producers, and committing to long-term purchases. (For more on SAF developments and what it means for corporate travel buyers, see page 26.)

United Airlines was the first airline to introduce SAF into normal business operations back in 2016 and continues to lead the green transition. The airline recently announced multiple partnerships to develop alternative energy options and commercialize the production of SAF, both in the U.S. and abroad, to help achieve its net zero 2050 goal without relying on carbon offsets. The company also introduced its EcoSkies Alliance as a program for corporate travel partners, which now boasts more than 30 participants who have committed to SAF purchases in United's network—a sign that more companies are taking stock of their own part in travel's emissions and taking responsibility to use and manage travel sustainably.

Lufthansa, the largest buyer of SAF in Europe, recently integrated 'carbon neutral' features into its flight booking process, which allow customers to choose flights with SAF, contribute to climate protection projects or a mixture of both options. The German airline group is also upgrading its fleet with more fuel-efficient aircraft.

These are just two examples of many airlines that have invested in SAF as a primary emissions reduction strategy. American Airlines invested significantly in 2021 and Delta pushed in with a 75 million gallon commitment in March of this year. Just this month, smaller players like Finnair and Japan Airlines have made long-term commitments to purchase SAF.

On the lodging front, a number of initiatives led by the World Travel & Tourism Council, the Global Sustainable Tourism Council and others have worked to wrap sustainability standards around the accommodations industry. The structure of the industry, with independent hotels and franchises comprising so much of the volume, has made it challenging to find the right standards to apply and to get buy-in from owners and management companies.

The WTTC introduced its Sustainability Basics criteria in April as a ramp up program for any hotel owner or operator to align their operations with efficiency-, emissions- and community-based criteria that will put them on a path to a sustainable future. The program was designed for all types of lodging, but with a particular focus on properties that may not have had access in the past to a cohesive plan.

"Sustainability is non-negotiable but not every small hotel has access to the science on how to make a difference," said CEO Julia Simpson. "This gives everyone access to a global standard."

That's the same struggle hotel solution specialist HRS was looking to solve. While global chains have the resources and infrastructure needed to measure and report carbon emissions, HRS chief product officer, Martin Biermann, said gathering and auditing data from the myriad of independent hotels remains troublesome for the industry and for travel managers.

> *"With further mandated improvements [by governments] to sustainability reporting, there will be an increase in demand for reporting validations."*
>
> — CTM'S JOHN NICHOLLS

Hence, the company launched its Green Stay Initiative in March 2021, which uses a proprietary formula, based on industry methodologies such as the Hotel Carbon Measurement Initiative and the Greenhouse Gas Protocol, to score a hotel's energy consumption, water use and waste disposal.

"The traditional means of [corporate travel] RFPs and procurement processes are by no means sufficient to cater to future needs of environmental protection," Biermann said, explaining that Green Stay allows travel and procurement managers to compare apples with apples and ensure sustainability ratings are in line with global standards.

Hotels in more than 75 countries have joined the initiative, including chains like Marriott and Accor, and Biermann said interest is growing. So much so that an updated version of Green Stay will be released in the next few months. This will include new levels of assessment for hotels and allow travel managers to customize hotel scorecards according to their own areas of focus and corporate goals.

TRAVEL MANAGEMENT PARTNERSHIPS FORGE PATH TO BETTER OUTCOMES

Marriot International's vice president of sustainability and supplier diversity, Denise Naguib, said there is a "heightened awareness" of sustainable hotel operations among corporate clients who want to understand how sustainable practices are embedded throughout operations.

"While we have been providing sustainability reports to corporate customers for many years, we now have twice the number requesting sustainability information since the pandemic began," she said, adding that the group is working to drive new sustainable practices throughout its portfolio and is "keenly aware" that effective carbon reduction requires access to data and greater collaboration.

United Airlines' senior manager, environmental sustainability and climate, Rohini Senguta, agreed with that assessment, commenting on the number of corporate customers demanding consistency and transparency when it comes to emissions reporting. But, like Naguib, she said, the real progress comes from partnerships.

"Power of coalition is what's really going to move this market," she said, referring to the airline's EcoSkies Alliance, which was created to 'accelerate solutions that decarbonize aviation' and counts Salesforce, Microsoft and DHL among its members. "Partnerships are critical to demonstrate leadership and action, especially when it comes to SAF or sustainable technology," she said.

Festive Road client solutions lead Katie Virtue sees that kind of commitment to emissions reductions and partnership developing at more companies than prior to the pandemic, and it's going beyond dialog.

"The conversation is shifting away from awareness to implementation. Companies are moving from having objectives around people, planet and purpose in mind to now adjusting policy, approval processes and messaging… and automating the decision-making process with technology."

Virtue pointed to 'new tech players' like Thrust Carbon and Unlocked Data that are helping travel managers measure and consolidate data for more thorough sustainability reporting. Some are partnering with TMCs and other suppliers to create integrations and programs that will move such practices from the margins solidly into the mainstream.

She said RFPs are becoming increasingly discerning regarding sustainability metrics and clients are "actively looking" at how they come back differently.

ACCELERATING THE TREND

In companies where sustainability is a top-down initiative, travel managers can feel empowered to drive positive change. This was the case for S&P Global's director of global travel and meetings, Ann Dery, who said the company's net zero initiative challenged her to create a plan to reach its science-based targets.

"[Sustainability] adds a whole other level of strategy and complexity to the travel program because we don't want to slash and burn and not let anyone travel—that's not realistic," she said. Dery conducted a deep dive into S&P's 2019 data to better understand how travel behavior was driving the company's carbon footprint, and the changes that needed to be made.

This resulted in an updated business class policy and adding a new rail section to the program as an alternative to short-duration flights.

Dery told BTN she is currently working on more comprehensive reporting on S&P's carbon footprint at an enterprise level, business division level, and traveler level. She's also pushing to introduce carbon budgets by 2024.

"Once we get all the reporting going, this will be a real eye-opener not only for our rank-and-file travelers but also our leadership," she said.

The trend may not be an entirely organic development, said Corporate Travel Management head of ESG and sustainability, John Nicholls. He believes the acceleration of climate policy, including legislation to tighten emissions disclosure standards, is pushing businesses

"Companies know sustainability is important, yet many struggle to find the staff and time necessary to push things forward."

— BCD TRAVEL'S KATHY JACKSON

to 'improve and validate' their Scope 3 greenhouse gas emissions, which include business travel "With further mandated improvements to sustainability reporting, there will be an increase in demand for reporting validations," he said.

INVESTMENT REQUIRED

"Companies know sustainability is important, yet many struggle to find the staff and time necessary to push things forward," said Kathy Jackson, vice president and executive chair of sustainability at BCD Travel, especially when it's not a top-down mandate.

"Another challenge is that for many companies, budget still ranks higher than sustainability, meaning people aren't (yet) making decisions based solely on environmental concerns. Not all companies are comfortable with travel that's greener but more expensive," she said.

That's the case for FLSmidth group category manager Meret Minnet. She said her KPIs are still driven by cost savings.

Based in Copenhagen, the company has signed on to science-based targets to reduce GHG emissions and created a MissionZero initiative to enable customers to move towards zero emissions by 2030. Business travel accounts for 0.1 percent of the company's carbon emissions and is therefore not currently an area of concern.

Nevertheless, carbon-conscious travelers are requesting more sustainable options, so Minnet is working to integrate features like emissions calculators and carbon budgets into her Egencia booking tool.

And for markets with less awareness, she is working with Thrust Carbon to create sustainable hotel and flight packages that illustrate carbon metrics in a more relatable, user-friendly manner.

"The sustainability team [does not] have resources for travel, so I'm working behind the scenes to be ready because if we want to achieve net zero by 2030 we'll need to go the extra mile at the end," she said. Until then, Minnet's sourcing priorities are price and convenience, especially since routing options post pandemic remain limited.

All the TMCs BTN spoke to said there is a sliding scale of maturity among clients, largely influenced by geography and cultural differences. Travelers in Europe are the most environmentally conscious and therefore sustainable travel policies there are more advanced (also due to regulation such as the EU's emissions trading scheme). Travel managers in North America are playing catch up.

"There needs to be more education," S&P's Dery insisted. "A lot of buyers don't understand what a sustainable travel program looks like and what it actually means. We're still getting our sea legs when it comes to sustainability."

That said, GBTA's Millot believes the race to net zero is 'in motion' and points to the Science Based Targets initiative, where around 100 of the 3,000-plus corporations who've made commitments have unveiled targets specific to business travel. And according to the organization's recent survey, 67 percent of travel buyers believe the industry should commit to a collective climate target.

Ultimately, traveling sustainably is everyone's business.

GET SMART ABOUT BUSINESS TRAVEL REDUCTION

IT'S A FACT: CORPORATIONS THAT PRIORITIZE SUSTAINABILITY WILL TRAVEL LESS, BUT IT'S ONLY PART OF A HOLISTIC EMISSIONS REDUCTION EFFORT.

BY BOB CURLEY

Business travel isn't expected to rebound to pre-pandemic levels for a couple of years, according to the Global Business Travel Association, and while some of the reasons are all too familiar—lingering health concerns about COVID-19, rising travel costs, increased utilization of virtual meeting technologies—there's a wild card whose impact on overall business travel trends remains unclear: sustainability.

To keep global warming to no more than 1.5 degrees Celsius, as called for in the Paris Agreement, global carbon emissions need to be reduced by 45 percent by 2030 and reach net zero by 2050, according to the United Nations. "As long as we travel as much as we did in the past, we will not be able to do that," said Horst Bayer, founder of TravelHorst Sustainable Business Travel Consulting.

The vast majority of business travel emissions stem from air travel, Bayer noted, while other forms of transport, as well as hotels, also contribute greenhouse gases.

"We can use technology to reduce emissions, but we can't do it fast enough," Bayer said. "People really need to talk about avoidance, especially on air travel."

CURRENT THINKING

Three in 10 companies expect sustainability alone to result in a 11 percent to 25 percent reduction in travel budgets by 2025, according to the April 2022 "Reshaping the Landscape: Corporate Travel in 2022 and Beyond" report from Deloitte's Transportation, Hospitality & Services practice. "Sustainability, still a priority, will push against future corporate travel spend," Deloitte researchers wrote.

The 2022 The State of Sustainability in the Global Business Travel Sector report from GBTA found that 60 percent of industry representatives surveyed support reducing the frequency of business travel in order to cut emissions.

Things may look a little different when it comes to making sweeping travel reductions in an individual company. For example, energy-intensive companies, like manufacturing or mining firms, or tech companies running huge server farms, may put business travel emissions on the back burner, because it only represents a tiny fraction of the company's overall footprint. On the other hand some firms record business travel as the single largest source of carbon emissions driving more immediate mitigation.

Consulting companies are a case in point. PwC, for one, is targeting a 40 percent reduction in carbon emissions by 2022 through a combination of replacing travel with virtual meetings and encouraging the use of internal systems to book travel, where senior managers must justify the case for travel. The company said such internal scrutiny was a contributing factor in reducing the PwC's emissions from non-client related air travel by 90 percent between 2007 and 2017.

MORE SURGICAL THAN SWEEPING

Bayer implied PwC had the right idea, and added that specific scrutiny around individual trip emissions would be the next step. "We need reason codes to explain why travel is necessary," he said. "In the approval process, if there are too many CO2 emissions, then you can't travel."

Such reductions, when they come, are likely to be more surgical than sweeping

"Climate change is a top priority for organizations worldwide," said BCG global head of travel Gehan Colliander. The firm has been has been a certified carbon-neutral company since 2018 and in 2020 committed to reaching net zero climate impact by 2030. "However, this will not necessarily mean uniquely reducing the volume of business travel, but [rather a] transition to less carbon-intensive modes of travel [and identifying] additional emissions reductions levers, including the use of sustainable aviation fuels, purchasing independently verified carbon credits, etc."

TARGET AIR TRAVEL – BCG has revamped its online travel booking tool to promote more sustainable decisions, including prioritizing train travel over flights on certain routes. Some European companies now prohibit air travel in favor of train travel for trips under 500 km (310 miles): the carbon footprint of a Eurostar train is just 6 grams of carbon dioxide equivalents per passenger kilometer, compared to 255 grams for a domestic airline flight, according to calculations from the UK Department for Business, Energy & Industrial Strategy. Colliander cited a number of "less intensive" options including electric and hybrid vehicles that have gotten more play in the BCG program.

INFLUENCE DECISION-MAKING– Microsoft uses a self-imposed carbon tax as a lever to discourage unnecessary business travel: Initially set at $15 per metric ton of carbon dioxide equivalent, the tax was raised to $100 as of July 2022. That's significantly higher than trying to assess the true cost of carbon to a trip, which would add an inconsequential cost that could be easily ignored by travel managers, according to Scott Gillespie, founder and CEO of tClara. "You make the trip significantly more expensive by adding a carbon tax," said Gillespie. "It can force managers to think more carefully about trips as their cost goes up."

FEWER BUT LONGER TRIPS – One travel-reduction strategy that's already being adopted by companies is eschewing one- or two-night business trips in favor of longer trips that build in multiple client visits, which helps reduce the intensity of business travel. "Defining a next-generation way of traveling is key to meeting sustainability goals, and the extended-stay approach supports achieving that," said Colliander.

Client data from hotel program solutions provider HRS shows accommodation stays are 40 percent longer after the pandemic than they were prior to it, an indication that companies recognize hotel stays are less emissions intensive than initiating another roundtrip.

"We can use technology to reduce emissions, but we can't do it fast enough. People really need to talk about avoidance, especially on air travel."

– TRAVELHORST CONSULTING'S HORST BAYER

MEETINGS AT YOUR FINGERTIPS – Technology also plays a powerful role in both reducing corporate travel as part of a sustainability strategy and deciding how to meet travel-reduction goals. Zoom, Skype, Cisco Webex and other videoconferencing tools were essential in maintaining client and interoffice communications when Covid-19 shut down travel and offices, and experts expect virtual meetings to permanently replace at least some meetings that previously would have taken place face-to-face. Gillespie calls it "low-value" business trips, and Colliander agrees it's an X factor that companies had a hard time addressing prior to the pandemic. "My estimate… is that 10 percent to 15 percent of total forecasted travel could be replaced by virtual solutions," she said, with a few caveats that would apply to industry sector and company needs.

REDUCTION MUST BE GUIDED BY METRICS

Colliander said BCG has assessed all work elements that can remain virtual going forward, reintroducing travel only when it is "key to client value creation and our employee value proposition." The key to making those decisions, however, is metrics.

"To include business travel in sustainability strategy, one must understand the impact of travel on the organization's footprint," added Colliander. "Then the organization needs to align around redefining normal, forging new paths, and introducing the notion of 'meaningful travel.' This starts by implementing a process of measuring, reducing, and mitigating."

Gillespie said travel managers can utilize tools like tClara's TripTester to assess the justification for business trips: Sustainable travel choices are one of five metrics used by TripTester, which also scores meetings based on their importance, results, possible payback, and well-being impact on the traveler—with customized weighting for each decision-making vector.

Which brings up an interesting point: Sustainable travel can have a number of meanings, not limited to carbon emissions. As companies reconfigure travel programs with sustainability in mind, they might do well to understand the role of employee well-being—and how travel figures into the picture, said Bayer. Some employees may be itching to get back on the road after two-plus years of Covid-19 related restrictions, but it wasn't that long ago that the hot topic of conversation was the impact of excessive business travel on quality of life.

"It's equally important to take care of people as profit," said Bayer, who argues that the pillars of any corporate sustainability strategy should be both social and environmental.

CARBON OFFSETS: A NECESSARY HALF-MEASURE?

REACHING NET ZERO WILL INVOLVE CARBON OFFSETS, SO MAKE SURE THEY ARE HIGH QUALITY AND VERIFIED. SCAMMERS ARE OUT THERE.

BY BOB CURLEY

There are better ways for companies to help the planet than carbon offsetting—directly reducing emissions and cutting back CO2-related activities are far better—but purchasing carbon credits and investing in outside programs that reduce greenhouse gases remain a critical component of business travel sustainability programs, and will remain so for the foreseeable future.

"The core component of any corporate sustainability plan should be setting a net zero target [cutting greenhouse gas emissions to as close to zero as possible], assessing their footprint and then putting in place a carbon-reduction plan to meet that goal," said Thrust Carbon director of product Kit Brennan "These plans take time, so careful highly verified offsetting is a useful tool to reduce the negative effects of CO2 while that transition takes place."

MAKING OFFSETS MEANINGFUL

Business travel industry players see programs to reduce and offset carbon emissions working hand-in-hand. According to GBTA's 2022 State of Sustainability in the Global Business Travel Sector report, 70 percent of industry respondents said that offsetting emissions by investing in environmental projects should be encouraged or mandated as part of a green travel program—an approval rating similar to reduction strategies like prioritizing travel routes with the smallest CO2 footprint and prioritizing flights that use sustainable aviation fuels.

"In terms of business travel, we think offsetting is a responsible part of any business travel program, but it must be tied with a meaningful strategy for reducing emissions to get to net zero," Brennan said. "Carbon-avoidance offsets will get a business to carbon neutral, but not net zero," which he said, "will only be achieved through carbon reductions in the travel program, and carbon-reduction style offsetting."

"If not used as part of a carbon reduction scheme, offsets simply are a way to excuse bad behavior," said Alyson Genovese, global head of corporate responsibility at S&P Global.

WHAT'S THE DIFFERENCE?

Carbon offsetting takes two fundamental forms: carbon avoidance offsets, which include funding new renewable energy programs like solar farms or providing efficient cookstoves to rural communities to replace coal or wood stoves; and carbon reduction offsets, such as the development and use of SAFs, direct capture of airborne carbon emissions, "and—some might argue—tree planting," said Brennan.

Carbon credits are similar to carbon offsets: under a cap-and-trade carbon credit program, companies can trade carbon credits to meet mandatory emissions requirements; in the U.S., only California has mandated a carbon marketplace. Carbon offset programs, on the other hand, are a voluntary initiative undertaken by companies as part of a broader sustainability policy.

McKinsey & Co. expert associate partner on net zero initiatives Jop Weterings told BTN voluntary carbon-reduction programs helped remove 173 million pounds of CO2 from the atmosphere last year. "That sounds like a lot, but it's less than one half of a percent of global emissions," he said. Still, that number was up 53 percent over 2020, and such programs are expected to increase tenfold by 2030.

For every company there's a different motivation. "Some just want to do the right thing on climate action. Others realize there's a real risk in the business chain. Investors expect alignment with net zero. There are consumer expectations among the younger generation especially. And good talent wants purpose-led employers, especially in a tight labor market," said Weterlings.

WATCH OUT FOR GREENWASHING

'Greenwashing'—fudging the numbers to make sustainability efforts to look more impactful than they really are—remains a serious problem in the world of carbon offsetting, both among suppliers and purchasers. Poor quality control feeds public perception that carbon offset programs lack legitimacy, amplifying the need for regulation of the marketplace, said Brennan.

"There are heaps of high-quality projects that deliver meaningful reductions and are accelerating decarbonization in low-income parts of the world, but I think the general member of the public thinks of offsets as a scam," he said.

However, "For every dubious tree planting project, there are many 'boring' highly-verified solar, biomass, wind and methane projects" that corporate travel programs can tap to provide a bridge to internal emissions reduction targets.

"In general, the simpler 'less sexy' offset methods are the hardest to apply dubious accounting to—the effect of a solar panel or wind farm is quite straightforward to calculate for example," said Brennan. "The most important thing is making sure there is a high-quality verifier behind the program, such as GoldStandard or Verra."

SCS Global Services is another well-regarded player in the carbon offset verification services market. The Environmental Defense Fund, World Wildlife Fund, and Oeko-Institut also collaborated on a tool (available at https://carboncreditquality.org/) to assess carbon credit quality, initially focusing on three popular types of carbon-reduction programs: landfill gas utilization, efficient cookstoves and afforestation and reforestation projects.

ONE COMPANY'S OFFSETTING JOURNEY

S&P Global has been able to achieve 100 percent carbon offsetting of its travel program by working with Natural Capital Partners, which connects companies with vetted programs in the voluntary carbon market. The financial information and analytics firm has coupled reductions in its travel budget with carbon offset programs like preserving Amazon rainforest, solar-powered water programs in India and clean cooking initiatives in China.

"National Capital Partners gives us a portfolio of programs to choose from," said director of global travel and meetings Ann Dery. The company also planted 35,000 trees—one for each employee—when it merged with IHS Markit in February 2022. "There are so many scams out there when it comes to offset programs." said Dery.

"While carbon-reduction offsets are superior, they're nascent technologies and it's not really feasible to completely get a businesses emissions to zero using them at this time due to low availability and therefore prohibitive cost," Brennan said. "So the best businesses are analyzing their footprint to reduce their emissions, phasing in reduction-style offsets of 10 to 20 years, and using avoidance-style offsets to do something about their footprint in the meantime."

That suitably describes S&P Global, which has set a hard deadline of 2040 to achieve net zero while continuing to reduce and offset its emissions.

Dery predicted the supply chain "will eventually rely less heavily on carbon offset programs as more companies require preferred vendors to commit to science-based targets and fixed dates to achieve net zero. Corporate responsibility coupled with government intervention will push organizations to reduce their carbon footprint over time," she said.

"Carbon offsets will be here for the near future," Dery said, adding that achieving widespread net zero for U.S. corporate travel likely will require more government and regulatory intervention, as has been the case in Europe. "If we leave it up to corporate responsibility, change will be quite slow," she said.

MINIMIZING OFFSETS, MAXIMIZING SUCCESS

Once companies integrate carbon reduction into their sustainability program, the ultimate goal should be to wean off carbon avoidance programs.

Scott Gillespie, founder and CEO of travel management and justification consulting firm tClara, said the perception that offset programs are an effective strategy much change in order for companies to shift focus towards carbon reduction.

"The company's sustainability officer needs to communicate to travelers that carbon offsetting has no significant impact in the short term," said Gillespie. "The only practical way to reduce carbon emissions in the short term is to reduce travel. The goal must be to eliminate low-value trips."

S&P Global's Genovese suggested that rising costs may make purchasing offsets less attractive. "Instead, the money can be used to decarbonize operations or working with supply chains [to achieve] actual emissions reductions," she said.

Ultimately, said Brennan, "Offsetting is important component to a sustainability program, but must always be secondary to reduction. If we want to prevent a climate disaster, every business will need to reach net zero by 2050," he said. "Net zero can only be achieved with reductions, so that will leave no place for avoidance-style offsets. Reduction-style offsets will always be necessary for unavoidable emissions."

OFFSET EXPLAINER

AVOIDANCE OFFSET: Avoid additional carbon emissions from being released into the atmosphere

REDUCTION OFFSET: Reduce current carbon emissions from being released into the atmosphere

PAY IT FORWARD: SUSTAINABLE AVIATION FUEL

AVIATION HAS A GROWING PROBLEM. IF SUSTAINABLE AVIATION FUEL IS THE ANSWER, HOW DOES TRAVEL MANAGEMENT PLAY A ROLE IN BRINGING IT TO THE MARKET?

BY MARK FRARY

Even taking into account the decimation of air travel by Covid, Airbus is forecasting that passenger traffic will continue to increase by 3.9 percent per year between now and 2040. If nothing is done to reduce the carbon emissions of aviation fuel, the airline industry looks like a blocker to achieving pledges cemented in the Paris Agreement to limit warming caused by greenhouse gas emissions to less than 1.5 degrees Celsius. The airline industry is taking this on, but how does travel management fit into the picture?

IS THERE A SOLUTION?

The road transport sector has embraced electric vehicles but the size and weight of batteries effectively rules them out for aviation except in very limited cases.

"We can't switch to something like electric planes," said Jaclynn Kidd, manager of CWT Solutions Group. "It is not feasible for long haul. If you can find a solution within the existing infrastructure, that is the way to go."

Liquid hydrogen looks promising but not in the near-term. For now, the answer could lie in sustainable aviation fuels or SAFs, an umbrella term encompassing fuels that are renewable or derived from waste and which meet certain sustainability criteria.

SAFs are drop-in fuels meaning they can be used in place of fossil-fuel based jet fuel or blended with it and can use the aviation's sector existing infrastructure. Changing the world's airline fleet and the infrastructure that supports it—to use liquid hydrogen for instance—might take 30 years.

However, SAF production will have to be ramped up significantly and quickly to decarbonize aviation.

Commercial airlines currently consume 300 million metric tons of jet fuel a year compared to global SAF production of around 300,000 metric tons. As such, supply is just 0.1 percent of the potential fuel demand. Neste, the world's leading supplier, currently produces 100,000 metric tons of SAFs per annum but plans to ramp up production to 1.3 million metric tons by the end of 2023.

There are a number of ways to make SAFs:

- Converting carbon monoxide and hydrogen into liquid hydrocarbon fuel using metal catalysts and high pressures (Fischer-Tropf)
- Breaking down waste vegetable oils and animal fats (HEFA)
- Fermenting crops such as sugar beet or wheat to produce alcohol which is then processed into hydrocarbons (Alcohol-to-Jet)
- Generating hydrogen using renewable electricity and combining it with carbon dioxide captured from industrial processes or directly from the air (Power-to-Liquid)

SAF: BENEFITS & CHALLENGES

Do SAFs have lower carbon emissions than traditional aviation fuels? No…

Wait, what?

"There is this idea that you fly using SAF, and the exhaust emissions are lower," said John Harvey of the consultancy flySAF. "They are not. They are the same."

The carbon benefit of SAFs only becomes apparent when you look at the full lifecycle. SAF production is what delivers up to an 80 percent reduction in carbon emissions, depending on which method is used, which crop is used and the supply chain to the airport.

SAFs also have the benefit that they will not run out, unlike fossil-based fuels.

Jonathan Wood, Neste's vice president EMEA for renewable aviation said, "The nature of SAF as an emissions-reduction solution is different from carbon offsets that typically take a long time to realize the promised emission reduction (e.g. growing a tree). SAFs reduce carbon emissions in aviation itself. This gives businesses the opportunity to clean up their own value chains, instead of compensating their emissions in another sector."

That's not to say that SAFs do not have their problems. One of the major concerns is that production methods based on biomass may push out other uses of land, such as food production in poor countries. Using crops also drives up water usage.

This has led to the use of non-food crops such as jatropha and castor bean, using waste biomass from existing agricultural and forestry production as well as more innovative ideas such as algae or the euphemistically vague municipal solid waste.

SAF's biggest challenge, however, is cost. Sustainable jet fuels cost anywhere between two and eight times

"There is this idea that you fly using SAF, and the exhaust emissions are lower—they are not. They are the same."

— FLYSAF'S JOHN HARVEY

traditional jet fuels, and this is unlikely to fall soon. The high cost of SAF also compares unfavourably to the relatively low cost of carbon offsetting —a credit for a metric ton of carbon through the EU's Emissions trading scheme currently costs around 80 euro; in the U.S. it is even less.

WHO IS USING SAF?

A number of the world's largest airlines as well as a number of corporates have made commitments to use SAFs.

Dutch airline KLM was one of the first movers, establishing its Corporate BioFuel Programme in 2012, allowing companies to pay a surcharge that covers the difference in price between SAF and traditional jet fuel. These surcharges were then used to purchase SAF for its commercial partners.

However, KLM's claims were recently challenged in a lawsuit from environmental charity ClientEarth. The suit argues that "Contributing to the cost of sustainable aviation fuels (currently, biofuel) …does not reduce the climate impact of flying. It's a donation to KLM's business, not an offer for the customer to buy additional, new biofuels."

Neste supplies SAFs to KLM and Jonathan Wood said the company follows a "strict atmospheric benefit principle, making sure that customer's financial contributions lead to additional SAF usage and additional emission reductions."

In 2020, American Airlines committed to buy 9 million gallons of SAFs over three years from Neste while in 2021, IAG signed a deal for 73 million gallons from the Bayou Fuels project in Mississippi and Lufthansa Group purchase $250 million worth of SAFs.

United Airlines announced last September that it had agreed to buy 1.5 billion gallons of SAF from Alder Fuels over 20 years—a purchase "one and a half times the size of the rest of the world's airlines' publicly announced SAF commitments combined," according to the carrier, at least at that time. In May it committed to 50 million gallons from Neste. United also coordinates the Eco-Skies Alliance for corporate buyers to stimulate SAF demand. Big names like Meta, Microsoft and Maersk are among its 30 current participants.

In March this year, Delta announced a deal to secure 75 million gallons of SAFs annually from producer Gevo for seven years starting in 2026 to achieve its planned 10 percent SAF procurement target by the end of 2030. Japan Airlines and Finnair signed smaller commitments with Gevo in June.

ACCOUNTING FOR SAFS

One of the biggest concerns for corporates is how to know that the SAF they have purchased through one of these schemes has actually been used.

"We can't switch to something like electric planes. If you can find a solution within the existing infrastructure, that is the way to go."

— CWT SOLUTIONS GROUP'S JACLYNN KIDD

CWT Solutions Group's senior director Richard Johnson said, "It is virtually impossible to say that a specific flight that an individual takes is a SAF-powered flight."

FlySAF's John Harvey believes that only direct purchase of SAFs from the supplier gives the necessary transparency. "If I were responsible for making a SAF purchase, this is the only type of purchase I would make. I wouldn't buy credits or certificates as there is a risk that the seller is selling to someone else," he said.

Neste's Jonathan Wood said, "The SAF can be delivered to a mutually agreed airline and Neste ensures it is delivered and used. For corporate SAF deliveries, Neste is sharing all SAF delivery documentation with a third-party auditor, ensuring actual delivery and usage by the airlines, and protection against double counting."

Concerns over accountability and double-counting have led Shell, Accenture and American Express GBT to launch a blockchain-powered system called Avelia which it is claimed will ensure the allocation of SAF's environmental benefits to companies and airlines after the fuel has been delivered into the fuel network (see full coverage, starting on page 6).

There are also schemes that try to get companies to invest in production rather than buy SAFs directly.

"A lot of the noise around SAF is around future development and plants and organizations trying to raise money for the development of the plant," said Harvey. This is the process of carbon insetting (as opposed to offsetting) and means investing in a project in your own value chain.

"Anyone buying an inset is placing their money forward. It might be a greenfield site that has no planning permission," he says. "Good luck to all those people."

GETTING SAFS ADOPTED

Getting adoption is going to cost money and a lot of it. The European Parliament says that airfares are likely to increase by 8.2 percent by 2050 as a result of the higher fuel costs involved—others say fares will rise more sharply.

Many experts say the only way to get SAF adoption is to enforce adoption targets and to incentivize production.

Currently, there is a 50 percent upper limit on the amount of SAFs that can be blended with jet fuels. Europe is at the forefront of enforcing minimum blending rates for SAFs. The ReFuelEUaviation proposal is that the minimum share of SAF supplied at each EU airport should be 2 percent in 2025, rising to 63 percent by 2050.

"Pressure from customers is also going to be an important catalyst," said CWT's Johnson. "As they become less budget sensitive, companies are more willing to invest.

Young generations entering the workforce and as consumers will play a part too. "The biggest pressure [to use SAFs] is going to come from the generation coming up," says CWT's Jaclynn Kidd.

SAF Pilot in Progress

ORGANIZATION: The Bill & Melinda Gates Foundation

TRAVEL BUYER: Deputy Director Global Travel Pam Massey

The Bill & Melinda Gates Foundation is one organization that has been looking at how to purchase SAFs and has set a goal to reach carbon neutrality in global office operations, events, commute, and travel by 2030.

The foundation's Pam Massey spoke to BTN about how the organization is vetting the potential for SAF usage.

"As a social impact organization, business travel makes up a sizable portion of our footprint: about two-thirds in 2019. Today, we are focused on traveling less, traveling smarter, and purchasing SAF to reduce our footprint.

"We're excited about SAF because it is a unique opportunity to immediately reduce emissions and help scale an important industry innovation. It's also very early days in this space, so we are eager to talk and learn from others.

"We have engaged with a handful of airlines that make up nearly 50 percent of our historical volume, and we are asking them a lot of questions. We haven't entered into any contractual agreements, but we are looking at them and understanding that every airline has its own SAF agreement, accounting system and approach," said Massey.

She added, "The goal of our pilot, once approved by our executive sponsor [the CFO], is to model the SAF purchase from end to end. We are a data-driven organization and by connecting with others, engaging in SAF agreements and documenting our learnings we can model this and then make a case for a longer-term commitment to support our 2030 strategy."

COST OF CHANGE: CARBON BUDGETS VS. CARBON TAXES

WHAT IS THE GOAL OF CARBON BUDGETS AND CARBON TAXES IN A SUSTAINABLE TRAVEL STRATEGY—AND CAN THEY WORK?

BY AMON COHEN

As pressure mounts on businesses to reduce their contributions to climate catastrophe, an increasing number are introducing one or both of two accounting mechanisms aimed at dialing down their travel-related emissions: carbon budgets and carbon taxes.

Both strategies are intended to steer employees to lower-carbon travel choices, including potentially not travelling at all. But there are crucial differences.

A carbon budget allocates a specified amount of travel-related emissions which should not be exceeded. A carbon tax, also known as an internal carbon fee, surcharges every trip financially for the emissions it generates at a specified rate per metric ton. There are numerous variations on both these principles, and the two can be combined by applying a tax in the event of a budget being exhausted.

Whichever permutation companies select, TravelPerk head of ESG and sustainability James Dent urges deployment of budgets or taxes in the context of a fully managed carbon reduction strategy that embraces more than travel. For Dent, this starts with setting science-based targets. This is a rigorous analysis, ideally with external vetting, of how much the company must reduce emissions to meet the Paris target of restricting global warming to 1.5 degrees Celsius.

DECISION-MAKING TIME

For those going on to adopt a carbon budget, one of the first important decisions is whether to allocate budgets to departments, individual employees or trips. The second of these options, giving employees personal carbon budgets, is generally regarded as both undesirable and impractical. It is undesirable because "each employee doesn't necessarily think about where they are at with the departmental financial budget," said Dent. "It's someone else's job to be counting the pennies. It would make more sense to have someone else counting the 'carbon pennies' as well." The idea is also impractical because few, if any, travel tech providers have introduced the ability to show individuals their carbon budgets at point of sale.

Of the remaining two options, a departmental budget is likely to make travelers and their line managers think harder about whether a proposed trip is justifiable. However, Katharina Riederer, co-founder and CEO of booking tool provider eco.mio, argued that when travel does have to take place, it is more effective to set a budget to beat for that particular trip, especially if technology allows this information to be presented at point of sale.

"You have the greatest transparency if you can show them the budget while they book: what the environmental impact is and what their budget is," said Riederer. Her view is that both carbon impact and the budget are communicated most persuasively by providing behavioral context: displaying comparisons with a designated environmentally acceptable option (such as rail instead of air, a direct flight instead of indirect options), what colleagues typically book for that city pair and so on.

The other crucial question when building a carbon budget or taxation strategy, and perhaps the greatest determinant of the sincerity of ambition, is how much pain to inflict internally. In the case of carbon budgets, more drastic consequences for exceeding the allocation could be limiting or even banning travel for the remainder of that period, or denying financial bonuses to business unit leaders.

With carbon taxation, the challenge of making meaningful change instead of simply looking green is even more formidable.

> *"We want travelers to consider carbon in the same way they have always considered cost when thinking about making business trips."*
>
> — HSBC'S CLAIRE TURNER

"The metric by which we should judge the success of any of these schemes is the output of CO2 emissions," said Scott Gillespie, founder and CEO of travel management consultancy tClara. "The problem with a carbon tax is that in the U.S. the price per ton is less than $14. If you add that cost to a fare, you're not going to change anybody's mind about traveling. It has no significant impact unless the carbon tax is made artificially much, much higher."

Even Microsoft's recently announced radical internal carbon fee hike from $15 to $100 per metric ton (see page 33) would only generate a fee of $30 for a Chicago-New York round trip, according to Gillespie's calculations. "It would have to be a tax of several hundred dollars to become meaningful in terms of reducing demand for business travel," he said. "But let's assume you decide to have a $500 tax on every flight. That will definitely reduce demand. However, problem number one: that's an artificially high price, so that's going to create contention with the traveler. Second, there is no tangible benefit to the traveler."

KEEPING AN EYE ON UNINTENDED RESULTS

The other problem with carbon taxes, unless punitively high, is that they could counterproductively normalize rather than discourage polluting behavior. In 2008, cosmetics company Lush launched a carbon tax at a high rate of £50 per metric ton. Lush used the revenue to fund groups opposing aviation, road schemes, fracking and coal.

But, Lush strategy lead for Earth care Ruth Andrade told BTN earlier this year, "we ran it for 10 years and then realized it wasn't doing what we needed it to do. It wasn't really disincentivizing people from flying. People were feeling, 'Oh, we're funding so much cool stuff through flying.' The financial barrier wasn't there for people or even for the business."

There are many pitfalls such as this with carbon budgeting and taxation but, as rarely adopted ideas until very recently, best practice inevitably still has some way to evolve. Nevertheless, those who have made a start believe budgets or taxation can make a genuine difference, at the very least by making employees think much harder about the environmental consequences of their travel choices.

"With something like the climate crisis, the 'softly softly' approach doesn't work," said Emma Eaton, commodity manager for travel, events and fairs at Siemens UK, which is poised to introduce carbon budgeting this autumn (see below). "I think a carbon budget will be our biggest contributor to reducing travel-related emissions."

HSBC's Claire Turner

COMPANY: HSBC
CARBON REDUCTION STRATEGY: Carbon budget
LAUNCH DATE: January 2022

Business travel accounts for 10 percent of operational emissions at HSBC. The bank has set carbon budgets for global corporate functions and some geographical markets since the beginning of this year. Monthly reporting from its TMC to these businesses now contains parallel summaries on how much has been spent both financially and in terms of carbon emissions.

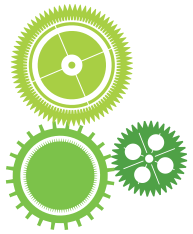
"We want travelers to consider carbon in the same way they have always considered cost when thinking about making business trips," says Claire Turner, the bank's head of concierge travel and events operations. "Our overall strategy is to travel half as much and make the experience twice as good."

HSBC has deliberately kept the methodology simple, relying on the emissions calculations supplied by its TMC. Carbon budgets were set at 50 percent of 2019 emissions. "I think people get too tied down in the methodology and miss the big picture, which is that we want to go from a big number to this much smaller number, and we should get started rather than tie ourselves up in knots over every single detail," Turner said.

The HSBC carbon budget covers emissions from air (responsible for an estimated 72 percent of HSBC's business travel emissions) and rail, but not yet hotel. "Again, we could spend a year perfecting a way to get to a highly accurate number, but we don't want to waste time," said Turner. "It's about awareness and bringing it to the forefront of decision-making."

In this first year of operation there are neither penalties for HSBC businesses which exceed their carbon budgets nor rewards for those which don't. Those ideas are being considered for the next stage of evolution. However, even without formal incentives or disincentives, Turner said there is "healthy competition between the business units," most of which are hitting their carbon targets as travel continues to be reduced post-pandemic. HSBC has maintained elevated trip approval processes introduced during Covid, while financial budgets also remain reduced against 2019 benchmarks.

Turner views a carbon budget as a third behavioral lever to reduce emissions alongside policy and financial budget. "This is a tool to make visible the impact of travel at an aggregate level and then hopefully we'll get that down to a more individual level," she said.



"With something like the climate crisis, the 'softly-softly' approach doesn't work."

—SIEMENS UK'S EMMA EATON

Siemens UK's Emma Eaton

COMPANY: Siemens UK
CARBON REDUCTION STRATEGY: Carbon budget
LAUNCH DATE: Pilot scheduled September 2022

Siemens UK is setting a carbon budget per department that has been assessed as necessary to keep the company in line with its science-based targets commitments. The budgets are ambitious but, said Emma Eaton, commodity manager for UK and Ireland travel, events and fairs, the pandemic has proved very helpful for seeing what reduced travel can look like and setting targets at those levels.

Eaton and her colleagues are still determining what the consequences will be if budgets are exceeded. One idea under consideration is an internal charge that would fund "insetting": internally managed carbon offset projects. Departments within Siemens UK already pay an internal carbon tax that covers all emissions (not just travel).

Eaton is clear on two points if an internal charge is introduced for carbon budget overspend: The first is it would not be spent on sustainable aviation fuel, which she has concluded produces a poor return. "Right now, there are a number of projects outside travel in which we can invest for better carbon reduction," she said.

The second is that the charge would be a last resort. "We don't want anyone paying it," said Eaton. "Budgets are being set at a level to avoid impacting the Earth."

To help track the carbon budget, emissions reporting for air travel is being provided by the consultancy Atmosfair. Eaton considers hotel reporting important, believing some properties produce far greater emissions than others. The budgets will, therefore, include hotel emissions data provided by HRS.

Eaton ideally would like her company's booking tool to provide indications of carbon cost for different trip options, but it is unable to do so. She is less convinced of the need to show progress against carbon budgets at point of sale, something else the booking tool would be unable to provide anyway. "Travelers don't know the financial budget either," she said. "They just need to know they contribute to it."

Microsoft's Elizabeth Willmott

COMPANY: Microsoft
CARBON REDUCTION STRATEGY: Internal carbon fee
LAUNCH DATE: 2012

Microsoft has a strategy to become "carbon negative." It sets an internal carbon fee "high enough to drive action while optimizing the amount of money collected each year to fund [environmental] projects," according to carbon program director Elizabeth Willmott.

Business groups within Microsoft are charged for all their contributions to greenhouse gas emissions, not just from business travel. Along with all Scope 1 and 2 emissions, the company is raising the internal fee for business travel (which is a Scope 3, in other words indirect, emission) from $15 up to $100 per metric ton from financial year 2023. Microsoft "will continue to increase the annual fee at an accelerated rate through FY30," said Willmott. The carbon fee is collected by the finance team.

Microsoft calculated business travel emissions based on commercial air travel only until FY20, when it added hotel, rail and ground transportation. Its air travel emissions calculations are based on GHG Conversion Factors for Company Reporting, published by the U.K.'s Department for Environment, Food and Rural Affairs, which is used by many companies globally.

"When I was talking to our CFO, I said 'don't ask me to put this on the booking tool, it's not possible."

— FINANCIAL SERVICES COMPANY TRAVEL BUYER

COMPANY: European financial services company
CARBON REDUCTION STRATEGY: Hybrid "carbon financial budget"
LAUNCH DATE: Beginning of 2023

This company is taking the innovative approach of setting a carbon budget translated into an additional financial budget, which will be used to pay a carbon tax on business travel.

The idea has been developed because the travel manager (who has requested anonymity) and his CFO perceive disadvantages with conventional carbon budgets and taxes. They believe the challenge with the former is that travelers find it difficult to visualize a ton of carbon or how harmful that may be. The problem with carbon taxes, the travel manager said, is that "say you have $50 on top of your flight and instead of paying $1,000 you are paying $1050. No one cares about $1,000, so why would they care about $1.050?"

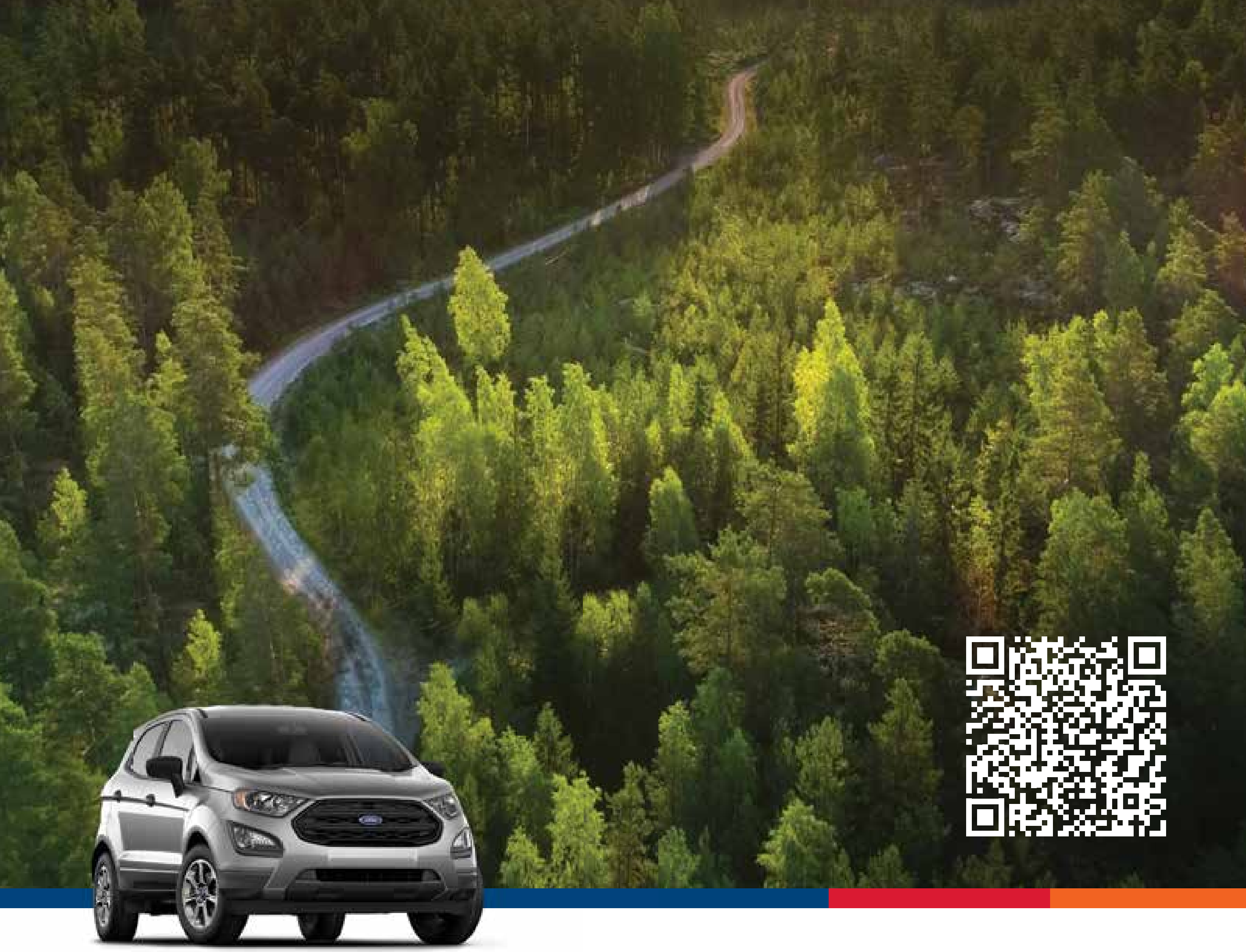
Instead, this company will calculate each of its teams' carbon emissions from 2019 and convert them to a financial budget at a rate of $50 per metric ton. Each month, emissions on air travel booked by that team will be calculated (by the company's TMC, using DEFRA methodology), again converted at the same rate into a financial figure and then deducted from the carbon financial budget. The amount deducted from the carbon financial budget will also be invested in carbon reduction projects.

The intention is that each year the carbon price per ton will be increased from its initial level of $50 but, crucially, "teams' carbon financial budgets will not go up pro rata, so it is going to cause them to travel less," said the travel manager.

However, he added, punitive measures for exceeding the carbon financial budget will be added gradually. "We will communicate that they have exceeded the budget, but in 2023 no one's going to be stopped from flying because they don't have any money left in it. It's going to be a learning exercise to change people's mindset. At the end of the day, it's about ownership."

The company uses the same booking tool as Siemens UK and is equally frustrated by its inadequacies in supporting sustainability strategies. "When I was talking to our CFO, I said 'don't ask me to put this on the booking tool, it's not possible,'" he said. "I believe we should tell people how much they have in their carbon budgets but there are very few technology providers which can do that."

SUSTAINABLE TRANSPORTATION SOLUTIONS



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