

Tourism and the climate crisis: a question of adaptation in uncertain times

Tourism, one of the most important drivers of the global economy, is facing a new paradigm shift marked by climate risks. These threats **could produce economic, social or environmental losses in large companies and infrastructures** across all tourism segments

Hotel chains, cruise ship operators, airlines and hospitality providers are the pillar of tourism as we know it today. The companies behind them manage large operations that require stability in various external factors like geopolitical security, energy sustainability, global health and climate change.

The exposure of these businesses to serious risks is more than considerable. Tourism faces greater adversity from a number of growing climate-related factors:

- **Extreme weather phenomena.** Certain events, including storms, hurricanes, floods, heat waves or droughts, can harm tourism infrastructure. The [United Nations Office for Disaster Risk Reduction \(UNDRR\)](#) has noted that the effects of natural disasters are already evident in the tourism sector with loss of travelers and, therefore, profits.
- **Impact on the health of tourists.** The **increase in temperatures** can provoke dehydration or heat stroke, and dry weather can cause irritation of the airways and other illnesses. The WHO has stated that climate change increases the transmission of diseases in tropical and coastal areas frequented by tourists.
- **Changes in resource availability.** More heat in the summer also means less snowfall in winter destinations. The rise in sea levels reduces the size of beaches, and hotter weather means algae and jellyfish proliferate closer to the coast.
- **Changes in seasonality.** With higher temperatures, tourist seasons can shift, affecting the economies of typical summer destinations. The European [Environment Agency](#) has observed shifts in travel demand to milder seasons (spring and fall).
- **Biodiversity.** If certain animals and plants disappear, some areas may find their attractiveness reduced or simply eradicated.
- **Water or electrical restrictions.** If there is little rain, tourism could experience some insecurity in terms of recreational access to water. Power outages or power cuts can have drastic consequences.

Impact on the insurance industry

To overcome these challenges, there is fortunately still time to take strategic, structural and operational measures. They need to be executed now though, because the impact can be

devastating. Economic damage caused by a drop in demand or contraction in the tourist season is inevitable if something isn't done to prevent it.

As stated by UN Tourism, extreme heat waves in Athens and Rome in summers of up to 45 degrees, **caused monuments like the Acropolis to close and tourists returned home earlier than scheduled**, resulting in significant financial losses across the sector.

In addition, certain destinations will become less attractive in the face of climate risk, which will boost demand for locations that are considered safer. Those who don't take measures to adapt will see their reputations affected and will most likely experience a drop in visitor numbers. According to a [study](#) from the European Commission's Joint Research Center, a warming of 3 or 4 degrees would reduce tourism by 10% in coastal areas of Europe (such as Spain, Italy, Portugal or Greece) and, at the same time, increase tourism activity by 5% on the northern coast.

Problems deriving from climate change may entail an increase in costs: companies in the sector will need to adapt to changes with more resilient infrastructure or with the implementation of water runoff management strategies, among others. It is therefore of the utmost importance that the sector acts to mitigate climate change while adapting to its impact, including, in addition to the aforementioned, the reduction of harmful gases and the diversification of its offer.

Action in key segments

The need to reduce emissions, energy shortages in some areas and social pressure are driving **hotel chains** to adapt, with many of them investing in energy efficiency systems, in resistant and adapted construction and in alliances with local providers. The European Accommodation Barometer 2024 shows that **41% of European hotels predict a high or very high impact in the next three years**.

Other areas of tourism, such as **cruiases**, have to deal with diverse risk vectors such as port problems or extreme storms. Furthermore, when operating in the waters of different nations or internationally, they do so in changing weather conditions. Some consultants, such as Staley Consultants, warn that the increase in sea level could even render some ports unusable. Shipowners are adapting to this evolving scenario with new emergency protocols, rethinking routes and stepping up the control of their environmental footprint.

Airlines are one of the most sensitive tourism operators to large risks. They deal with constant threats such as geopolitical events or fluctuations in fuel prices, but also storms and hurricanes. They respond through diversification of routes, purchasing more efficient aircraft and strengthening safety systems. They are also accelerating the transition to aircraft that use more sustainable fuels.

Hospitality is a fundamental element of the tourism experience, and is not exempt from climate-derived risks, which come in the form of transforming consumption habits, changing the availability

of raw materials or tackling energy price volatility. This sector is adapting with more locally-sourced products, healthier and more ethical eating experiences, while also focusing on sustainable practices and zero food waste.

Resilient tourism

The climate crisis isn't a future threat, it's a reality that needs to be addressed urgently. Taking out insurance in the event of natural disasters, which has become a real necessity, is an option for companies in this sector operating globally. Large insurers are already seeing an increase in demand for parametric policies (covering hurricanes or floods, among others) that offer rapid compensation in the event of disaster.

The tourism sector is beginning to adopt a systemic vision in the management of large risks. Some of the fundamental pillars are the incorporation of ESG standards, public-private partnerships and data-based planning. The future is uncertain, so the tourism sector's ability to adapt is now a strategic necessity. Protecting this global industry preserves jobs and local economies, connecting cultures around the world, so making it more resilient is a matter of priority.