Serhat Ünaldi, The Grove Crete

# State-sponsored greenwashing?

## How misguided tourism policies make it difficult for green startups to get off the ground

On the need to think holistically, intersectorally and qualitatively about sustainability in the hospitality industry

*In 1983, U.S. student and environmentalist Jay Westerveld was vacationing in Fiji. Although he was staying in a small guesthouse, he fetched fresh towels at the sprawling Beachcomber Resort next door. As he did so, he noticed a sign asking guests of the resort to reuse their towels to avoid having to wash them daily – for the sake of the environment. Jay paused and pondered, for the resort was about to expand even further along the surrounding coral reef, significantly impacting the environment. He concluded that environmental protection is often used as a fig leaf in tourism and he invented a term for it: "greenwashing". Given the continued focus of sustainability-minded investors and policymakers on large-scale projects, the term has lost none of its relevance.*

This is a lesson we have learned as founders of a green tourism startup on the south coast of Crete over the past two and a half years. With THE GROVE CRETE, we aim to offer a genuine alternative to established mass tourism, which – besides bringing financial gains – causes immense costs for Crete's environment and society. Negative effects include the ecological and visual destruction of coastal landscapes by tourism mega-projects, accompanied by increased pressure on public services, such as water supply and waste disposal. The concentration of tourist offerings on the coasts weakens social structures and traditions in the island's rural hinterland, since especially young people take up volatile, seasonal employment in hotel complexes. Particularly resorts that rely on mass tourism by offering low prices and all-inclusive services – incentivizing guests to remain within the hotel complexes – hamper the sustainable development in Crete. This stock-taking does not even include the greenhouse gas emissions from international supply chains, or from the construction, operation, and demolition of large hotel facilities, let alone from air travel.

Fortunately, more and more young Greeks are discovering the potential of a sustainable turn in tourism. They are securing for themselves a share of the vastly growing market for services that focus on experiences of nature and local production and products. From cocktail bars serving creative mixed drinks based on goat's milk, raki and thyme, to providers of original Cretan experiences such as soap making, pottery or Cretan cooking, to fashion brands that revive local weaving traditions with a modern twist, the range of offerings is growing, albeit at a low level. Through personal networks, these passionate players are coming together, exchanging ideas and realizing together the opportunity that lies in the preservation of nature and tradition for them and their guests. Catalysts are needed to transform this organic process into an organized turnaround in Mediterranean tourism.

THE GROVE CRETE aims to become one of these hubs for sustainable hospitality. Crete's first near-zero energy hotel certified by the German Passive House Institute is to be built on a pristine part of the south coast between Agia Galini and Agios Pavlos – with the aim of becoming energy positive over the life cycle of the building, i.e. having produced more electricity and heat through renewable energies than was consumed during sourcing, construction and operation. In doing so, we are pursuing an intersectoral concept that encompasses sustainability in all its aspects, making full use of latest technological innovations.

The energy supply will be provided off-grid by innovative solar technology solutions, a heat pump, a combined heat and power plant that can be converted to green hydrogen use, and a battery for electricity storage. A cooperation is planned with the Hamburg-based solar company SunOyster, with THE GROVE CRETE becoming a pilot project. At the same time, the 4,100 square meter property is to be reforested with an olive grove and fruit trees, supplemented by a herb and vegetable garden. Signs along a trail through

the garden will explain the benefits of the native plants to guests. An olive tree integrated into the hotel's interior serves as a symbolic fusion of nature and culture and as an eye-catcher not only in the company logo but also in the hotel lobby. To promote more carbon sinks, we aim to cooperate with reforestation programs on the island and give guests the opportunity to compensate for the CO2 emissions caused by their travel. Such a localized offer highlights cause and effect more adequately than impersonal offsetting services via online portals, while at the same time forging closer bonds between guests and Crete, thus making repeat visits more likely. Guests who choose to travel by bus or train, as well as ferry, receive a discount on their booking.

To optimize water management, water is partially sourced from a rain cistern and – along with grey water – treated accordingly. The pool is operated year-round, making regular emptying unnecessary. Biological alternatives to chlorine will be used, as well as a pool cover against water loss from evaporation. In this context, it is worth noting that the potential water resources in the region are astonishingly plentiful. An unexplored karst system feeding the nearby Kourtaliotis spring could supply all the freshwater needs in south-central Crete.[1] Unfortunately, this potential remains untapped. The reasons for episodes of water scarcity are many, ranging from convoluted legislation to ambiguous responsibilities of public services to a lack of understanding of modern water management. The agricultural sector is the largest consumer of water in Crete (78 percent), with private consumption – including tourism – accounting for only one-fifth. Nevertheless, we are aware of our responsibility and will therefore focus on a holistic approach to water management, to the prevention of pollution and to waste production. Food waste will be composted or fed to farm animals. Olive wood will be pressed into pallets for heating the hotel's own fireplace in winter.

For the selection of products and services, we will apply a simple rule: Supply chains are Cretan first, Greek second, and European third. From building materials to interior design and culinary delights to the excursions and workshops offered, local solutions always take precedence. This avoids gray energy from long transport routes, minimizes the impact of disruptions in global supply chains, strengthens local production and tradition, and reduces regional disparities between hinterland and coast. While buffets at many resorts feature at most a "Cretan corner" in addition to pizza, lasagna and instant scrambled eggs, all food at THE GROVE CRETE is sourced from our own garden or surrounding mountain villages. Local artisans are given the opportunity to use the hotel rooms as showrooms by providing design pieces to decorate the interior. Guests have the option of using an iPad in their rooms to place orders via the hotel's web store for items they particularly like, including olive soap made in-house. In cooperation with a local fashion label, THE GROVE CRETE will offer its own line of textiles, while the pool bar will serve "signature cocktails" developed in cooperation with a mixologist from the provincial capital of Rethymno.

All excursions and artisanal workshops are carefully curated. They will guide guests away from established routes and the well-trodden paths and run-of-the-mill excursions. Instead, they will put a spotlight on those sustainability-minded networks mentioned above. From young artist couples who extract their own clay for pottery from Cretan soil (while the recent closure of the only commercial supplier on the island has prompted the majority of potteries to order from Italy), to winemakers dedicated to producing natural wines, to the local hunter who teaches guests about the interconnectedness of man and nature. All excursions are carried out with an electric van charged at the hotel's own station and powered by the Aegean sun, or with electric Vespas. Within the hotel premises, a multi-purpose platform with amazing views of the Agean Sea will be used for

Fortunately, more and more young Greeks are discovering the potential of a sustainable turn in tourism. They are securing for themselves a share of the vastly growing market for services that focus on experiences of nature and local production and products.

wedding ceremonies, massages, yoga and cooking classes, music and self-exploration workshops. Our services will be provided year-round, in line with the Greek government's goal of addressing the problem of seasonality in tourism. To this end, the attractions of the seasons will be explicitly marketed – such as the opportunity to participate in the olive harvest in the hotel's own grove in winter and follow the process from olive to oil.

THE GROVE CRETE's approach is deliberately ambitious. We are convinced that combating climate change will not succeed through incremental progress. Holistic approaches are needed, but are more promising on a small scale, thereby attracting imitators and thus transforming entire sectors. The curated offerings we have in mind – which require personal connections with guests, partners and suppliers – are hardly feasible on the scale of a large resort. In any case, the Greek tourism industry is dominated by micro-enterprises, as a recent Alpha Bank paper on the subject makes clear. Small family-run hotels account for 98 percent of the sector.[2] At the same time, however, the authors note a trend toward larger hotels, with growth in facilities with more than 250 rooms exceeding 17 percent (2012-2019), while small hotels stagnate. The promotion of large-scale projects by government, banks, and investors is surely due to the assumption that large resorts create more jobs and promise higher returns – an assumption that at least holds true for direct jobs created. Small hospitality enterprises create only 52 percent of direct jobs in their sector. However, this number overlooks the disproportionately greater potential for small establishments to become nodes of local networks of sustainable tourism providers, creating quantitatively competitive and qualitatively better and more fulfilling indirect jobs.

Moreover, investors and banks need to base their risk assessment on high demand volatility and its impact on occupancy rates of larger hotels in the face of international disruptions. Global pandemics, political and economic crises have a far greater impact on occupancy rates of large resorts. Smaller hotels, on the other hand, face fewer problems filling their rooms. For example, even during peak season at the height of the Covid pandemic, some larger hotels in Crete remained closed, while smaller boutique hotels barely felt the impact of lower demand. Accordingly, it is important to question the trend toward larger hotels – not least to avoid missing out on the sustainable turn in customer demand. Alpha Bank notes that customers are increasingly "going green" and preferring small-scale hotels. In addition, the article underlines that the local population should be included in the product design of tourism providers.

Unfortunately, government programs to promote and finance tourism are rarely if ever tailored to projects like THE GROVE CRETE. The recently passed Greek Development Law (4887/2022) targets conventional hotels with three stars or more, complex facilities and guesthouses with 20 rooms or more. Although subchapter Iota of the law focuses on alternative forms of tourism, it is still unclear what requirements must be met in order to be eligible for funding under the listed categories of agritourism, wine tourism, geotourism or multifunctional farms. It is at least doubtful that services outside the actual hotel premises meet the requirements, even if the hotel is planned as a node of a network to promote just such offers. Ideally, the integration and utilization of local fauna, flora and crafts as well as the transfer of knowledge about them may be sufficient to qualify for funding.

Another fund recently set up by the Greek Ministry of Agriculture to promote green rural tourism initially read like it was tailor-made for projects like THE GROVE CRETE. However, we seem to narrowly miss the criteria, as only projects with five rooms and ten beds or more will be funded. THE GROVE CRETE will indeed offer ten beds, but in four rooms. Of course, tenders must establish exclusion criteria. But it is worth considering whether limits might not be better drawn as a ceiling to limit the size of projects, instead of excluding small enterprises. This is particularly true in view of the high investment costs for sustainable buildings and technologies, which are less significant for large-scale projects in relation to the entire investment amount than they are for small projects – and therefore represent a disproportionately higher hurdle. To make matters worse, the understanding among local bankers and investors of comparatively high financial volumes and novel business concepts of sustainable boutique hotels is still limited, as their experiences relate to conventional hotel financing.

Ünaldi | The Grove Crete

When granting subsidies, loans and investments to hotel projects, the question should be from now on to what extent large-scale facilities fit into sustainability goals at all, if these goals are defined holistically, intersectorally and qualitatively – in other words, goals that combine a sustainable building powered by renewable energies, circular economy solutions, organic cultivation and measures to strengthen the social structure, quantity and quality of jobs in the surrounding area. Is it enough to install solar panels on a roof? Or is this just a modern incarnation of a sign encouraging guests to use their towels more than once?

By opening up national and European funding programs to small and micro enterprises, governments should promote sustainable tourism on a small scale, even if this may seem counterintuitive at first. At the same time, sustainability needs to be thought in as large and comprehensive a way as possible. This includes positioning Greece as a leading voice in the ongoing discussion on the Europeanization of passenger rail transport – especially with regard to the expansion of the night train network. It is one of the sad chapters of European mobility history to have discontinued connections such as the "Hellas Express", which until the late 1980s still connected Dortmund with Athens. Competition from low-cost airlines and the war in Yugoslavia dealt a death blow to rail travel between Central Europe and the Balkans. However, in view of sustainable mobility demands among a growing number of travelers, a resumption of the connection could become an unbeatable location advantage – and thus meet a holistic offer as expected by THE GROVE CRETE's target group. A linked journey by night train and ferry – the latter to be converted to hydrogen propulsion in the medium term – would prepare Greek tourism for the future.

"Small is beautiful" instead of "bigger is better" – projects like THE GROVE CRETE are currently trying to prove the truth of this claim by economist E. F. Schumacher. We are not alone in this. Many dedicated individual actors and boutique hotels are striving for change – not just to siphon off a market segment, but out of inner conviction and love for their island and its people. Despite the challenges we were asked to address in this article, our motivation and gratitude for being part of a growing community that thinks in alternatives far outweighs the hurdles along our path. Our community is dedicated to the preservation of Crete's natural resources and its social structures, while also recognizing their economic potential. Unlike greenwashing, however, the latter is not the core of a green-painted business shell, but merely an equally important goal alongside ecological and social sustainability.

[1] *Steiakakis, E. (2018): Evaluation of Exploitable Groundwater Reserves in Karst Terrain: A Case Study from Crete, Greece, Geosciences, 8: 19.*

[2] *Adamopoulou, E. u. a. (2022): Greek Tourism Industry Reloaded: Post-pandemic Rebound and Travel Megatrends, Alpha Bank Economic Research and Analysis, May.*