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Subsidizing energy use in hotels and other hospitality facilities with a view to making tourism less expensive: A policy approach

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Abstract

In the context of making tourism affordable, this paper critically considers energy subsidization in hotels, as per a proposition under consideration. The primary purpose of this review is to scrutinize such policy approaches from theoretical, environmental, and practical perspectives. Through a qualitative critical review methodology, the paper synthesizes empirical literature, government policy briefs, and international development agency reports. The results indicate that energy subsidy operators may reduce costs of operation and transport these savings into less expensive services for tourists; where these incentives are poorly structured, paradoxically, they undermine environmental integrity and market efficiency. The review draws from institutional theory to explain how government incentives can encourage organizations toward certain behaviors; sustainable development theory explores the environmental implications; and policy diffusion theory sheds light on the diffusion of these subsidies across one jurisdiction to another. The analysis canvases a wide spectrum of subsidies, ranging from incentives on renewable energy to those that support smart technology deployment, and evaluates them from an environmental benefit-versus-risk perspective. In particular, the review highlights that, although on paper most subsidies seem to have an environmentally beneficial agenda, they are usually elusive or grossly misused for greenwashing or corporate capture by giant hotel chains. The paper's contribution is threefold: Theoretically, it integrates institutional and sustainability perspectives into the context of hospitality energy governance. On the policy front, it fills the gap with a matrix of practical reform options that link cost savings with climate responsibility. On the practical front, it offers a performance-based roadmap for policymakers and hospitality managers to align financial support. Ultimately, the paper calls for a recalibration of subsidy options to shield equity, transparency, the ecosystem, and financial sustainability in the long run.

Keywords: Energy Subsidization; Tourism Affordability; Sustainable Development; Hospitality Governance; Policy Reform; Environmental Integrity

1. Introduction

Tourism policymaking increasingly grapples with the challenge of balancing affordability with environmental responsibility, particularly in an era marked by rising operational costs and intensifying climate commitments. One of the main proposals gaining traction in the debate is subsidizing energy use in hotels and hospitality facilities to lower prices for services and increase tourist demand in economically dependent areas (1,2). But herein lies the hitch: although the policy aims to reduce the cost of tourism, it threatens to undermine sustainability goals by rewarding excessive energy consumption and thus contradicting its very remit in an energy-intensive sector. The contradiction becomes more glaring against a backdrop wherein infrastructure is fragile and such energy subsidies more often than not do not have any environmental safeguards, especially in low- and middle-income countries.

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The discussion on affordability in tourism has gained momentum over recent years, propelled by economic policy measures emanating from global economic pressures to maintain competitive destinations. Energy subsidies seem to provide instant economic gain, while energy consumption dominates hotel operations such as heating, cooling, and cooking, setting alarms on long-term environmental trade-offs (3, 4). Worse yet, if such subsidies are not targeted and hence lack monitoring and accountability controls, there is a risk that they will deepen inequities by favoring big businesses, namely multinational hotel chains, to the detriment of smaller enterprises and will probably unwind the public fisc through a diversion of fiscal revenue or an increase in taxation (5, 6).

This paper looks at the theoretical and policy dimensions of subsidizing energy use in hospitality and questions the assumption that intervention in such a manner inevitably leads to cheaper and more accessible tourism. It argues for a paradigm shift away from traditional subsidies toward those that are conditional and performance-based, incorporating sustainability criteria so that affordability does not come at the expense of environmental integrity or social equity.

2. Theoretical Underpinnings

Three core theories underpin the analysis of energy subsidies in hospitality: institutional theory, sustainable development theory, and policy diffusion theory. Institutional theory assumes organizations, hotels included, respond to formal rules, norms, and incentives set out by institutions in charge of governance (7). On offer are coercive institutional pressures through the energy subsidies that affect choices about how to operate. However, if such pressure conflicts with environmental norms, it may serve to legitimize inefficiency and set back sustainability in the longer term (8, 9).

Sustainable development theory is defined by the Brundtland Commission as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (10). In the theory's spirit, energy subsidies ought to promote the use of renewable energies, promote the use of efficient technologies, and encourage low-carbon operations. On the other hand, unsustainable subsidies-based on this theory-provide short-term relief in energy prices without providing incentives for energy conservation (11).

Finally, Berry and Berry's (12) theory of policy diffusion explains how energy subsidy policies permeate national borders and industry sectors without due consideration for localization or impact assessment. The theory also contends that the act of policy adoption is not always underlined by internal needs or rational analysis, but by a spectrum of external factors like pressure, competition, learning, and emulation as well (13). Increased global interconnectivity in this sector further accelerates diffusion, sometimes giving rise to copy-paste policies not tailored to the regional landscape of energy infrastructure, regulatory capacity, and environmental sensitivity.

Together, the three theories showcase the typical additional indices of overdependence of subsidies on the catch-all solution. They warn against any structures that institutionalize inefficiencies, which go against sustainability principles, and that serve as uncritical replicators of ill-fitting policymaking models across widely scattered contexts. Hence, a more nuanced, evidence-based policymaking architecture is required to ensure that subsidizing energy use in hospitality brings at least cost-effectiveness without also infringing on ecological and social integrity.

3. Rationale for Energy Subsidies in Hospitality

The rationale for energy subsidies in the hospitality sector mainly lies in the need to reduce operational costs, attract green investments, and allow the sector's competitive edge in tourism. Hotels, resorts, and other such establishments face heavy energy bills that are passed on in the form of high prices for accommodation and other services offered (14). Subsidies, whether delivered through tax discounts, grants, or low-interest charges, help to abate these costs and bolster price competitiveness; at least, so the argument goes, in destinations struggling with post-pandemic recovery or climate-induced downturn (15).

Energy subsidies can also be used as a lever for transforming the industry into clean and efficient energy systems. Given the high capital costs of renewable energy installation and energy retrofit, subsidies act as a financial bridge, with particular meaning for SMEs (16,17). This is to say-again-within the framework of macro-level economic and environmental policy goals of diminishing national carbon footprint and meeting international climate pledges (18).

While we can talk about the subsidization of energy specifically for the hospitality industry, the subsidies must be specific. It should go without saying that, about the applicability of the examples mentioned above, subsidies might well subsidize the status quo rather than compelling change when eligibility criteria and performance benchmarks are

poorly defined. The rationale must, thus, also be set within a clear sustainability framework, and not merely be economic. The ultimate goal is to slow down the rate of tourism growth and its concomitant increase in energy consumption and emissions.

4. Types of Energy Subsidies Relevant to Hotels

Several forms and types of energy subsidies could relate to hospitality; each has varying environmental risks, benefits, and necessary mitigation strategies. The following is a policy matrix of common subsidy types that could pertain to hotels and hospitality facilities

Table 1: A policy matrix of common subsidy types that could pertain to hotels and hospitality facilities

Policy Area	Reform	Potential Environmental Benefits	Potential Environmental Risks	Measures to Enhance Environmental Benefits and Mitigate Risks
Renewable Energy Incentives	Set greater emphasis on subsidies for the adoption of solar, wind, and geothermal energy in hotels.	Less usage of fossil fuels and environmental degradation.	Willful and wrongful installations or land-use conflicts (e.g., wind farms in sensitive areas).	Conduct environmental impact assessments and prioritize rooftop or small-scale on-site systems.
Energy Efficiency Upgrades	Provide finances for renovation of buildings with efficient HVAC, insulation, and lighting systems should be provided.	Reduced energy consumption and cheaper operational costs; less load on power grids.	Disposal of equipment may create some environmental concerns.	Strictly enforce recycling standards and the disposal of equipment. Link the upgrades to the management of green waste.
Green Certification Support	Subsidizing eco-label and green building certification fees is beneficial.	In this way, the broader implementation of sustainable practices and continuous monitoring would be encouraged.	Otherwise, the risk of greenwashing may arise while claims get certified without real compliance.	Make it compulsory to carry out third-party audits and periodic re-verification of criteria compliance.
Off-Peak Energy Pricing Policies	Encourage use of energy during off-peak hours through subsidized rates to reduce grid pressure.	Better load balancing on energy grids; enhanced energy system efficiency.	May encourage unnecessary use of energy during off-peak periods.	Combine pricing incentives with consumption limits and real-time energy use feedback tools.
Low-Carbon Transport Integration	Provide subsidies for electric vehicle (EV) infrastructure at hospitality venues.	Reduces the emissions from transport activities connected with tourism.	Disposal of batteries and energy sources for EV charging (if renewable or not).	Implement battery recycling programs; make it mandatory to integrate renewable energy with EV infrastructure.
Training and Capacity Building	Fund the training programs on energy management for the hospitality staff so that they can efficiently use energy.	During such a process, a culture of sustainability is built; operational practices are improved.	Potential for low uptake if perceived as non-essential.	Make training programs compulsory and include them in professional development schemes, with certification awarded upon

				completion of the training.
Public-Private Partnerships (PPPs)	Encourage cooperation between the public administration and hotel operators in co-financing projects related to energy savings.	It accelerated energy transition in the sector; spread financial risk.	Unequal access creates the risk of favoring in-typically large chains.	Prepare quotas or incentives for SME participation; by any means, ensure that the application processing is transparent.
Smart Technology Adoption	Support the deployment of smart meters, sensors, or automated control systems for energy monitoring in hotels.	Enables real-time monitoring and wastage prevention through intelligent systems.	High initial cost and data privacy concerns.	Offer cybersecurity support, scaling incentives based on hotel size for greater accessibility.
Low-interest Green Financing	Easy access to soft loans or tax deductions for energy-related capital expenditures in hospitality businesses.	This encourages investment in sustainable infrastructure and technology.	Abusing funds or investing in an inferior alternative.	Impose strict monitoring, reporting, and evaluation protocols. Environmental ROI metrics must be a requirement.
Energy Efficiency Programs	Subsidies may be available for the upgrade of insulation, lighting, HVAC systems, and appliances to more energy-efficient ones.	This reduces the carbon footprint of existing buildings and reduces energy costs.	Possible rebound effect (increased consumption due to perceived savings).	The upgrades should be coupled with awareness campaigns on sustainable consumption, while post-upgrade energy use should be monitored.

This multi-pronged subsidy approach not only caters to immediate energy efficiency gains but also furthers long-term environmental sustainability and resilience of the hospitality industry (19, 20). Each category of subsidies must be cautiously designed, monitored, and amended to ensure that they do not work against their cause, remaining equitable and effective while aligning with the greater climate agenda.

5. Potential Benefits of Energy Subsidies for Tourism

Energy subsidies, distinct from other types of subsidies, have the potential to transform tourism by curbing operational costs and promoting sustainable tourism. Such subsidies remove the barriers of entry into renewable energy and energy-efficient upgrades and, hence, make tourism cheaper for the operators as well as for the consumers (20). Cost savings of the hotels utilizing subsidized solar panels, smart technologies, or green certifications could be passed down to the tourists in the form of competitive pricing, which improves access to tourism—largely in developing economies (21).

From a sustainability standpoint, the energy subsidies direct an accelerated transition of the sector to low-carbon operations. This puts tourism on the global map of climate mitigation while rendering tourist destinations more attractive to eco-conscious travelers (22). Subsidies toward the training of smart systems, off-peak use of energy, etc., foster a culture of innovation and continuous improvement in the usage of resources, which is in line with the industry's operations toward environmental stewardship (23). Lastly, such incentives would boost investor confidence in ecotourism projects and thereby strengthen economic viability in the long run.

PPPs created through the instrumentality of subsidies will also create shared value by sharing some degree of financial risk, albeit in a rather minimal way, and by incubating the development of green infrastructure (24). This illustrates how energy subsidies are not merely financial levers, but strategic instruments for driving affordability, competitiveness, and sustainability within the tourism value chain.

5.1. Energy Subsidies: Challenges and Risks

While considerable opportunities exist, energy subsidies come with certain challenges that can hamper sustainability objectives. At the core, one of the issues is the misallocation of subsidies, whereby the benefits are bestowed upon large hotel chains at the expense of small and medium enterprises (SMEs), thus aggravating inequalities within sectors (25). The absence of identification and correct targeting of beneficiaries can enhance competitive disparities, leaving little room for a widespread or more pan-sectoral effect.

Environmental risks are, however, not to be neglected. Poor siting decisions of green installations may induce land-use conflicts or disturb biodiversity, especially in ecologically sensitive tourist areas(26). On the other hand, there is a rebound effect, where increased energy efficiency may also increase overall consumption if users are not made to change their behavior accordingly; in such cases, carbon reduction gains could be lost (27).

In addition, they face administrative and regulatory weaknesses. Lax enforcement of certification processes may allow greenwashing, where sustainability criteria are allegedly met without actual compliance (28). Then, some other subsidies, like those incentivizing off-peak use of energy, can encourage non-essential use of energy if left unchecked.

Again, some data privacy and cybersecurity considerations arise with the increased use of smart energy control systems in hotels that could inhibit investments (29). To limit these risks, energy subsidy programs need to be carefully crafted, providing a solid governance framework, along with environmental protections and inclusionary mechanisms that guarantee benefits are equally held and verifiably claimed.

6. Contributions

6.1. Theoretical Contributions

This document generates three discussions for theorising. First, institutional theory is extended by advancing the idea that policy instruments such as subsidies enter into consideration of organizational behavior in hospitality through coercive and normative pressure directions (7). Government-mandated or incentivized practices institutionalize energy efficiency norms for hotels, especially for areas where sustainability is yet not embedded in business culture. Second, the analysis works to bridge the sustainable development theory between economic affordability (lower tourism costs) and ecological consciousness to show that sustainability may be concurrent with competitiveness (10). Third, employing policy diffusion theory indicates how innovations such as smart tech subsidies or green financing diffuse across national borders and hotel chains based on their institutional eligibility and perceived utility (12). The resulting cross-theory integration thus strengthens the conceptualization of policy, sustainability, and hospitality-related organizational change co-evolution.

6.2. Policy Contributions

Theoretically, this study shows support for substantive policymaking by arguing that energy subsidies in hospitality are more than mere offsetting costs; there must be governance to ensure environmental safeguards and equity. Policymakers are called upon to set up a tiered subsidy scheme to differentiate the size of hotels and their locations and avoid the promotion of inequality between operators. Complementary regulations should be considered, such as enforcing mandatory audits and consumption caps and training requirements, that might be used to limit the life of the subsidized technology for environmental gain. These policy conclusions could provide insight for ministries of energy, tourism, and environment to use subsidies for the hospitality industry as a framework within their wider national sustainability goals. The review would have also challenged the conventional thinking that any financial assistance would necessarily result in net environmental gains without the associated evaluation framework put in place.

6.3. Practical Contributions

Practically, this document provides operators in hospitality with a policy toolbox to open and use energy subsidies without compromising sustainability. In addition, the presentation of risk themes such as greenwashing and rebound offers an additional tool to get changes from subsidy schemes ethically implemented. Hotel operators can use the research findings to make investment decisions related to emerging subsidy schemes while gaining assurance about regulations and reputation. Furthermore, the documentation of importance due to staff training and smart tech gives direct guidance for capacity-building inside to maximize long-term energy performance.

7. Conclusion

This critical review finds that while subsidization of energy use in hospitality could make tourism more affordable, the creation and implementation of these kinds of programs should be heavily theorized with considerations of context and ethics. Using solely economic means has the potential to harm the environment while distorting the market. Theories of institutions and sustainability illustrate that the organizational behavior of values and regulatory character designs and mechanisms of implementation mediate policy impact. Hence, any successful subsidy regime must be built on stronger chains of accountability and guarantees towards environmental safety and inclusiveness to be truly sustainable and consequently an equity where it matters so much.

Policy Recommendations

To get the most out of energy subsidies in hospitality, the following targeted policy measures are recommended. First, set conditional subsidies such that they are only disbursed subject to verification of actual environmental outcomes, whether it be a reduction in energy use or a reduction in carbon emissions. Second, prioritize access for small and medium-sized facilities as well as those remote areas with barriers to financing, yet extremely important to the development of inclusive tourism. Third, require all subsidized certification or retrofitting processes to be verified by a third party to prevent greenwashing and enhance legitimacy. Fourth, tie subsidies to training programs, so subsidized operators are required to build staff capacity as a condition of support. Fifth, develop national monitoring frameworks to measure the effects of hospitality subsidies on energy use, carbon emissions, and operational efficiency. Sixth, foster collaborative partnerships between ministries of tourism, energy, and environment to reduce the silo effect. Finally, develop flexible, though time-bound, subsidy schemes that award early adopters who invest in clean technology, yet discourage potential long-term dependence. Governments can, through embedding these guidelines in subsidy policy, truly ensure that energy subsidies promote sustainability, competitiveness, and equity in the tourism sector.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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