

ENERGY AND ENVIRONMENT (EE)

Energy and Environment (EE) works with clients across a wide variety of sectors and geographies to deliver robust data-driven solutions to solve complex energy-transition and environmental challenges. Ricardo's depth of environmental and energy expertise provides support across the value chain, from policy and strategy to implementing solutions.



We work across the value chain to deliver solutions that support meaningful change to meet today's energy and environmental challenges.

HIGHLIGHTS*

+50%
Order intake

2022/23	£111.5m
2021/22 (CC)	£74.4m
2021/22	£74.1m

+54%
Order book

2022/23	£87.6m
2021/22 (CC)	£56.7m
2021/22	£57.0m

+31%
Revenue

2022/23	£88.5m
2021/22 (CC)	£67.4m
2021/22	£67.2m

+45%
Underlying operating profit

2022/23	£16.0m
2021/22 (CC)	£11.0m
2021/22	£11.0m

+1.8pp
Underlying operating profit margin

2022/23	18.1%
2021/22 (CC)	16.3%
2021/22	16.4%

+22%
Headcount

2022/23	971
2021/22	795

* Prior period results have been restated to reflect the fact that a share of central plc costs are no longer included in the operating profit measure for operating segments. See [Note 5](#) to the Group Financial Statements.

Strong demand drivers are underpinning growth

Our EE business is in a strong market position which provides confidence in our ability to capitalise on favourable market trends in policy and funding for climate change and energy decarbonisation. We have focused our portfolio on market-facing growth solutions that include policy, strategy and economics; water management; corporate sustainability; air quality and environmental management; and digital modelling. These growth solutions include both strategic and technical consulting expertise and are combined with our data-science and software-development capability, delivering repeatable and scalable growth, while expanding across our markets and regions.

As an example, we advise governments around the world on developing and implementing the policy measures needed to reduce the environmental impacts of different sectors in the most efficient and effective manner. This policy insight provided to international governments is valued by the private sector, where we provide strategic support to help companies respond to new and emerging policy measures – such as using our digital modelling tools to forecast the impacts of policies and strategies on the demand for energy in both the near and long term.

The value and impact of our work

EE's work delivers significant improvements to the environment, helping to reduce the near and long-term impacts of climate change, as well as helping to substantially accelerate the energy transition, developing innovative solutions and deep technical insights needed to decarbonise energy generation, distribution and use. Critical to the value that our experts offer is the depth of expertise at each stage of the value chain, with our robust policy and strategy support enabling clients to undertake effective solution implementation.

For instance, Ricardo recently developed the evidence needed to inform negotiations and the subsequent strategy announcement by the International Maritime Organization on reducing maritime greenhouse gas emissions to zero by 2050. We also recently supported the update of the EU ITS Directive, which is targeting 1.1% annual CO₂ reductions and net benefits of EUR 158bn. This policy support will enable us to effectively support organisations around the world in implementing the solutions to meet these ambitions, which will include both technical consultancy and engineering.

Our performance in FY 2022/23

The continued demand for EE solutions has underpinned a very strong performance in FY 2022/23, with total revenue, including the results of businesses acquired in the year, up by 31%. Activity levels remained high throughout the year with a record order intake, resulting in an order book at 30 June 2023 of £88m, an increase of 54% on a constant currency basis, providing good visibility into the new financial year, which helps to underpin our growth strategy execution. On an organic basis, excluding the results of acquisitions, revenue and underlying operating profit grew by 20% and 30% (constant currency). The organic growth was driven by strong demand across multiple services, segments and geographies. In FY 2022/23 we secured multiple new contracts across our market-facing growth solutions, including the EU Mission Implementation Platform for Adaptation to Climate Change (MIP4Adapt), a significant contract for the European Commission. Through this contract, Ricardo's climate change experts are helping to accelerate Europe's transformation to a climate-resilient future. EE has continued to see substantial growth in the Middle East, with substantial demand for the environmentally focused development of digital solutions. This demand is driving high-value work for nationally critical environmental projects. Our reputation for managing air quality monitoring networks and modelling complex data sets also continues to be recognised by clients, with further substantive contracts.

EE's growth has also included E3-Modelling (E3M) and Aither Pty Ltd, having acquired the businesses in January and March 2023 respectively. E3M, which provides advanced empirical modelling services, focuses on the energy-environment nexus and is highly complementary to Ricardo's unique position at the intersection of the energy, environment and mobility agendas, providing digital modelling capabilities right across the Group. Aither Pty Ltd, an Australia-based natural-resources policy consultancy, strengthens our regional capabilities and significantly builds EE's global environmental portfolio in water and advisory services.

Building on the acquisition of Inside Infrastructure Pty Ltd in March 2022, these latest acquisitions demonstrate Ricardo's continued commitment to growing its global reach and extending its portfolio in Clean Energy and Environmental Solutions. Ricardo's existing water capabilities combined with Aither and Inside Infrastructure, have already started bidding

together with a strong pipeline of opportunities domestically in Australia, as well as in the Middle East. E3M and Aither have contributed £4.8m of revenue and £1.1m of underlying operating profit in the period since their acquisitions. Inside Infrastructure contributed £3.9m of revenue (FY 2021/22: £0.9m on a constant currency basis) and £0.9m of underlying operating profit (FY 2021/22: £0.1m on a constant currency basis).

CASE STUDY

INNOVATIVE DIGITAL CLIMATE SOLUTION TO SUPPORT UAE CLIMATE COMMITMENTS

Ricardo is supporting the Government of the United Arab Emirates (UAE) with the development of an innovative solution for the monitoring, reporting and verification of Greenhouse gas emissions (GHG) across the region.

The project utilises Ricardo's world-leading expertise in GHG inventories, combined with its extensive experience in climate change policy and environmental software development. The advanced digital solution will provide critical insights across a range of industries, supporting the Government in proactively driving forward the regions ambitious climate change commitments, which includes implementing its Net Zero 2050 plan. The project continues to demonstrate the Government of UAE's regional leadership in tackling the worsening effects of climate change.

The innovative GHG emission monitoring, reporting and verification solution will be presented as part of the UNFCCC 28th Conference of the Parties being hosted in the UAE; and Ricardo's experts are already working with a number of additional countries who will benefit from advanced GHG inventory support.