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When Green meets Green

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The paper

- Do environmental attitudes matter for the cost of bank credit?

- Empirical analysis of the cost (All-in-Spread-Drawn, AISD) of international syndicated loans during 2011-2019, matched with information at the bank and firm level

- Main results:
  - Green meet Green (GMG) effect is at play, whereby green firms benefit from a discount from green banks, …
  - … but only after the PA (→ changed perception of climate risk)
  - Consistent with (stylized) model of third-degree price discrimination

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My comments (to the empirical part)

- Greenness
- What drives the results?
- Model and results

Greenness

- ‘Green’ banks are those subscribing to the UN Environment Programme Finance Initiative (UNEP FI)
    - best ex-ante proxy

- ‘Green’ firms are those voluntarily reporting to the Carbon Disclosure Project (CDP), the year before the loan is granted
    - Captures the effect of *transparency and disclosure* (or green *consciousness*) rather than actual ‘greenness’, or exposure to transition risk (→ are there high-carbon disclosing firms, e.g. in oil & gas sector?)
    - Is there ‘persistence’ in reporting to CDP?
    - Why not use ‘hard’ measures of greenness, such as CO2 emissions?

What drives the results?

- Better characterization of the demand and supply side would shed light on the drivers of the GMG effect:
  - Who are the disclosing firms? (e.g., listed vs private)
  - Who are the (lead) lenders?
  - Geographic breakdown of borrowers and lenders
    - evidence of (cross-border) lending being affected by regulatory stance (Ben-David et al., 2022) and policy shocks such as the US withdrawal from PA (Reghezza et al., 2021)

Model and results

- Total effect for a ‘green’ firm borrowing from a ‘green’ bank, with respect to a brown bank (β_2+β_3)
    - <0. Statistically significant after PA when borrower-time FE are included?

- Total effect for a ‘green’ firm borrowing from a ‘green’ bank, with respect to a brown firm (β_1+β_3)
    - >0 when CF is applied to account for selection into CDP reporting

- Can bank-borrower FE be included to identify the effect of ‘changes’ to the green status?

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In sum

- Solid paper, very carefully executed and with a number of convincing robustness checks

- Interesting novel result on the GMG effect (→ ‘green concerns’ both on demand and supply side of bank credit)

- Suggestions:
  - Use ‘hard’ measures for greenness (or adjust the narrative)
  - Better characterize the drivers of the results