**Assisting replication of the dataset used to generate the results in**

**“Pollution permits and financing costs”**

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This file aims to aid researchers in replicating our results. To this end, the following steps are required:

1. Download emissions-related data from the European Union Emissions Trading System (EU ETS. From this database, we use the number of allocated allowances, surrendered allowances, verified CO2-equivalent emissions, and CO2 emission allowance transactions.

2. These data are at the installation level. The EU ETS provides details for each account holder (i.e., the name, address, city, and country of the holder that owns each installation). Using this information, along with information for the account holder’s ultimate parent company from the Dun & Bradstreet online database, we hand-match account holders to listed firms in the Compustat Global and North America databases.

3. In the next step, we calculate at the firm-year level *Allocated allowances* and *Verified CO2 equivalent emissions* by aggregating the installation-level information. We perform a similar calculation for the allowance transactions by first adding the number of acquired allowances from all transactions of each installation in a given year and then subtracting the total number of transferred allowances of the same installation in that year. We next sum this variable across all installation(s) at the firm-year level and denote it as *Bought / sold allowances.* This variable captures a firm’s net position as a buyer (+) or a seller (-) of allowances. It does not equal to 0 when other emissions variables equal to 0 because we transform to be equal to its value plus the minimum value plus 1. We also construct *Costly allocated allowances*, which equals 1 for an EU ETS program-participating firm in a sector with costly allocated allowances and 0 otherwise (i.e., for firms belonging to the free allocation allowances sectors).[[1]](#endnote-1)

**These data are free to download and thus we provide them, matched with the firm name and year. The variable labels in the data file correspond to the variable names in the main text.**

4. Download syndicated loans data from DealScan. We downloaded these data from WRDS, which is subscription-based and thus not provided.

5. We transform the original emissions variables by taking natural logarithms. The whole procedure is also summarized in the main text and in Table 1. The main text and the appendix include information on several summary statistics.

1. Sectors with free (as opposed to costly) allocated allowances in phase III of the EU ETS program are those exposed to a significant risk of carbon leakage. The information is from the commission’s December 29, 2009, decision, available at [https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:001:0010:0018: EN:PDF](https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:001:0010:0018:%20EN:PDF). These sectors are defined at the NACE-4 level. We map the NACE-4 codes to SIC codes using sector descriptions and the full list of SIC codes available at <http://www.ehso.com/siccodes.php>. Whenever there is a discrepancy in sector definitions between the two lists, we drop the relevant sector from the list. [↑](#endnote-ref-1)