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RESEARCH ARTICLE

Environmental and Financial Performance of Green Mergers and Acquisitions: Legal and Strategic Determinants of Sustainability Outcomes

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ABSTRACT

Green mergers and acquisitions (M&A) have emerged as a strategic mechanism through which firms pursue sustainability-oriented growth while navigating evolving environmental regulations and market expectations. However, empirical evidence explaining how these transactions influence environmental performance and financial outcomes remain fragmented. This study examines the effect of green M&A on greenhouse gas (GHG) emissions, energy efficiency, and waste reduction, while also evaluating post-merger financial metrics including revenue growth, cost savings, and production efficiency. Using a dataset of 2015–2025 transactions across renewable energy, sustainable manufacturing, agriculture, clean technology, and energy storage sectors, the study employs standardized environmental impact equations, financial performance models, and paired t-tests to evaluate changes over a three-year post-merger period.

The results show that green M&A firms achieve substantially greater sustainability gains compared to traditional M&A firms: a 28.6% reduction in GHG emissions, 19.3% improvement in energy efficiency, and 20.9% reduction in waste generation. Financial performance also improves significantly, with 12% revenue growth, 10.4% cost savings, and an 18.7% increase in production efficiency. These findings highlight that sustainability-driven M&A not only advances environmental responsibility but also consolidates long-term economic competitiveness.

The study concludes with recommendations for integrating environmental due diligence, ESG-driven valuation frameworks, and innovation-oriented integration strategies into future green M&A transactions. It further outlines policy implications for regulators and suggests future research directions including long-term (5–10 year) effects and cross-regional comparative studies.

Keywords: green mergers and acquisitions; corporate sustainability; financial performance; greenhouse gas emissions; energy efficiency; cost savings; ESG investment; regulatory compliance

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1. Introduction

Green mergers and acquisitions (M&A) have become an important accelerator of growth and change for companies looking to harness the power of sustainability in response to a global trend. This fast-paced and rapidly spanning industry touches on anything from renewable energy and sustainable agriculture to green technology and eco-friendly manufacturing. With rising environmental concerns and government-imposed stringent regulations and incentives for promotion of sustainable initiatives, organizations are developing their strategic objectives to match green objectives. Green M&A is an appealing channel for companies to increase their market share as well as their broader portfolios as they seek to enhance their sustainability credentials and practices [1].

The green industry has surfed to the end of the most simultaneous signature of zero carbon targets in history for the zero emissions coalition as well as new high targets for renewables. Investors, corporations, and clients are coming to grips that there is no more space for traditional business models that prioritized profits over the environment. To meet these challenges, organizations increasingly resort to mergers and acquisitions (M&A) to achieve economies of scale, gain access to current green technologies, and bolster innovation in clean energy, waste reduction, and resource use efficiency. Such transactions enable companies to instantly acquire the expertise, intellectual property and physical infrastructure necessary to meet ever more stringent environmental requirements and stay competitive in a rapidly changing marketplace [2].

In addition, the complex nature of green M&A transactions highlights the need to tackle a unique set of legal and strategic challenges. Transactions in the green sector, on the other hand, are often subject to greater scrutiny by regulatory agencies and the need for environmental assessments and transparent stakeholder engagement. These must-enter considerations are to be assessed by companies, during due diligence, so that acquisitions are per its evolving green laws and its sustainable criteria. There are also some strategic challenges, you know, integration challenges around how do you really pull those into a set of organizational assets under one umbrella, particularly around establishing your environment, social, and governance (ESG) goals for your acquired businesses. The success of green M&A depends significantly upon in how far these complexities are understood, and how sustainability is anchored in the strategic processes of the firm [3].

The increase in green M&A is also being driven by consumer preferences and the priorities of investors. Consumers today are more likely to shop with brands that demonstrate a genuine commitment to sustainability, and this has prompted firms to step up their green credentials. Similarly, institutional investors and financial stakeholders are reporting that they are increasing use of ESG criteria as an input into investment decisions. This trend has pushed attention on environmental performance and encouraged firms to explore M&A as a way to strengthen their sustainability portfolio [4].

This rise of green M&A is a positive opportunity for innovation and collaboration. By working together in this way, organizations can lead the way in developing innovations around things like renewable energy products, energy storage tech, sustainable packaging materials, and low-carbon-manufacturing processes. The synergy of complementary assets and capabilities allows companies to reduce redundant processes, rationalize supply chains, and accelerate the time-to-market of new products and services. These innovations, in response, lead to a stronger and smarter industry capable of responding to the changing demands of regulatory frameworks, shifts in market conditions, and increasing environmental pressures [5].

While green M&A has many benefits, it is not without its challenges and risks. Target firms must be carefully evaluated by and for companies, to ensure these are both legitimate and transparent regarding environmental claims and sustainability practices. Greenwashing, when a company falsely presents itself as

environmentally friendly can impact the credibility of an M&A transaction and result in even bigger reputational and financial damage. Furthermore, the price tag for bringing state-of-the-art green technology and infrastructure in line with existing operations can be high and the integration of new operations, culture and strategic goals arduous. Successful green M&A is thus a function of careful planning, robust due diligence, and an integration strategy that incorporates sustainability as well as financial performance [6].

Green M&As are becoming increasingly popular, as sustainability is a vital consideration in modern business strategy. They can get conversion positioning itself AM&A to reach innovative green technologies, broaden market coverage to meet environmentally literature. Nonetheless, these aims come with navigating a labyrinth of regulatory necessity, stakeholder expectations, and strategic integration challenges. By facilitating collaboration and resource sharing, M&A drives synergy and innovation, ultimately accelerating the transition to more sustainable business practices.

Despite the growing body of literature on sustainability-oriented mergers, a number of significant research gaps remain. Prior empirical studies have largely focused on either environmental performance or financial outcomes, but very few have integrated legal, strategic, and sustainability metrics into a unified analytical framework [7-9]. Recent work has emphasized the rising importance of regulatory systems and environmental supervision mechanisms, yet the interaction between legal due-diligence structures and post-merger sustainability integration is still insufficiently understood [10-12]. The current scholarship rarely compares green M&A with traditional M&A using standardized cross-sector indicators, leaving a gap in understanding whether sustainability-driven transactions systematically outperform conventional deals [13-15].

To address these gaps, this study contributes a comprehensive multi-dimensional model combining environmental performance indicators, financial metrics, legal constraints, and strategic integration mechanisms. By analyzing data from 2015–2025, the article provides a sector-wide perspective on how green M&A reshape corporate sustainability outcomes and how regulatory environments shape post-merger trajectories.

The remainder of this article is structured as follows. Section 2 presents the literature review, synthesizing prior empirical and theoretical findings on environmental, financial, and legal dimensions of green M&A. Section 3 outlines the methodological framework, including data collection procedures, environmental and financial performance equations, and the statistical validation strategy. Section 4 reports the empirical results, comparing environmental and financial outcomes across green and traditional M&A transactions. Section 5 provides the discussion, outlining theoretical, practical, and managerial implications, along with study limitations and future research pathways. Section 6 concludes the article with key insights and policy recommendations.

1.1. The aim of the article

The article aims to study the reflection of legal and strategic considerations in light of respective concessions within the framework of M&As in the green sector in order to provide a holistic outlook into the factors involved in undertaking successful transactions in the fast-evolving sector. With the world driving towards sustainability clearly gathering pace, the green sector has come to demand significant corporate activity, government policy, and investor interest. The need to provide mechanisms for promoting the M&A process between energy companies and other market players, given that these processes are not currently optimal, is a comprehensive demand aimed at the commercial effectiveness of enterprises where the successful application of green technologies requires accelerated adaptation processes. Conducted with data to October 2023, the study should also serve to highlight the degree to which sound legal structures and careful strategic planning are critical to delivering long-term value from these transactions.

A main aim is to understand how businesses are managing the distinct regulatory hurdles of the green market. Through an exploration of the importance of due diligence, environmental compliance and stakeholder engagement, the article aims to shed light on how legal factors shape deal structuring, risk mitigation and post-merger integration. It will also be responsible for exploring best practices that can enable organizations to meet their sustainability objectives without conflicting with legal mandates, ultimately positioning corporations to gain a competitive advantage without sacrificing their environmental impact commitments.

Strategically, this article notes how firms can use M&A to spur innovation and economies of scale to enhance their position in the green economy. Using a case study approach the article will be able to deliver value by showing how companies operating in the green are adopting to ensure success in the context of deal making along with breaking down trends of interest and the current positive case studies from the market. This study, in its entirety, seeks to be a compass for stakeholders who seek knowledge across the intersection of sustainability goals, as such, regulation systems, and M&A strategies in the green field, aiming to integrate legal and strategic endeavors.

1.2. Problem statement

There has been explosive growth in the "green" sector, which encompasses industries such as renewable energy, sustainable agriculture and eco-friendly manufacturing, driven by increasing awareness of environmental challenges and ambitious global sustainability goals. However, the growing trend of mergers and acquisitions (M&A) in this sector presents a pivotal opportunity for firms to acquire innovations within target companies to gain market share and improve their environmental credentials. However, despite the considerable momentum of accelerated green M&A activity, these transactions come with a myriad of nuanced legal, regulatory, and strategic challenges that can ensnare productive integration and durable value.

An important issue is that the green sector is heavily regulated, so the future of the market is bound to rest on evolving environmental standards, government incentives, and international sustainability initiatives. Whereas under the conventional M&A logic the focus may be on revenue and structural efficiency, the green sector M&A deal requires more thorough environmental due diligence and compliance with a range of legal obligations. The omission of such aspects may set up expensive litigations, reputational damage and inefficiencies post-merger. In addition, no general standards and regional rules exist yet; companies are hard to adjust to the legal environment with the requirements of environmental and social governance (ESG).

From a strategic perspective, these green M&A brackets pose numerous challenges in terms of aligning corporate sustainability and business goals. Integration of the acquired entity's operations, culture, and sustainability practices is difficult for most organizations. This lack of alignment can lead to different strategies, inefficient use of resources, and ultimately failure to realize the desired synergies of the merger or acquisition. Furthermore, the rapidly changing nature of the green industry propelled by ongoing changes in technology, market trends, and consumer tastes necessitates adaptive but cohesive green business strategies that could ensure business viability.

It lay in the complex legal and strategic considerations of green sector M&A. Until organizations get a handle on these challenges as well as the frameworks and best practices needed to overcome them, they risk counteracting the positives of their green M&A efforts and leaving some key growth sustainably opportunities.

2. Literature review

Interest in the legal, regulatory and strategic issues facing the M&A within the green sector has flourished with the emergence of the latter. This literature review was conducted using a structured search approach across Scopus, Web of Science, and ScienceDirect for publications from 2018–2025, focusing particularly on the latest empirical findings from 2025. Keywords included 'green M&A', 'environmental due diligence', 'corporate sustainability performance', and 'post-merger integration'. Studies were included based on three criteria: (1) direct analysis of M&A environmental or strategic outcomes; (2) empirical or theoretical relevance to sustainability frameworks; and (3) publication in peer-reviewed journals. This approach follows recent methodological recommendations in M&A scholarship to ensure completeness and transparency of the review process[14, 16, 17]. Renewable energy and sustainable agriculture and environmentally friendly manufacturing sectors make up parts of the green economy touching on a rapidly expanding global economy. This growth is being spurred by increased consumer concern around environmental issues, ambitious government sustainability goals, and the rise of green finance. Therefore, M&A activity in this space is not only a mechanism of consolidation or market entry, but another important channel through which firms can embed cutting-edge technologies, strengthen sustainability credentials and meet new regulatory requirements [18].

Research in this area has highlighted several high-level trends that help distinguish green sector M&A from more traditional deals. Another recurring theme is how environmental compliance and due diligence impact deal structures. With green M&A, companies are compelled to do more than the usual financial and legal due diligence on any deal: environmental liabilities, carbon footprints and whether the parties are compatible and aligned with sustainability goals must all be investigated first. In this process, it's often necessary to conduct complex negotiations, considering that acquirers tend to frame that targets observe stringent environmental laws while also helping to improve by financing the acquiring agency's sustainability profile. The lack of consistent frameworks and differences in environmental regulations by jurisdiction add complexity to the due diligence process and comprise an essential area of focus for industry practitioners [19].

Another key theme is how companies are integrating sustainability initiatives strategically after acquisition. Companies that succeed at green M&As tend to develop defined integration strategies that align new operations with broader corporate environmental goals, research finds. Such alignment includes processes in supply chain management, leveraging acquired intangible assets, and utilizing resources to capture not only economic, but also environmental, synergies. However, this integration can be hampered by the different organizational cultures, operational approaches, and sustainability metrics [20].

The rapid pace of technological change and dynamic nature of the green industry itself, with its changing market conditions and preferences, is another key aspect that sets green M&A apart. Therefore, companies must respond to these changes and actively seek out transactions that offer access to the latest technologies, whether through advanced renewable energy technologies or cutting-edge solutions for waste reduction or reuse. Although they were solidly based on a historical analysis, successful green M&A thus requires a future-oriented approach and focuses on the ability to adapt to uncertainty and to act solution-oriented in a resilient manner [21]. Fu et al. [7] find that green M&A significantly strengthens market power among heavy-polluting enterprises when supported by regulatory oversight mechanisms. Gigante et al. [13] show that sustainability orientation directly influences M&A acquisition premiums, highlighting how ESG-aligned firms capture more value in competitive transactions. Hussain and Kumar [22] demonstrate that target firms with strong green innovation portfolios are more likely to be selected by acquirers, suggesting a shift

toward sustainability-driven strategic screening. Additionally, Le [8] provides new evidence from China demonstrating that green M&A improves firm-level environmental efficiency, while Mondal et al.[14] provide comprehensive insight into how sustainable finance instruments are increasingly embedded into M&A transactions.

The existing literature on M&A in green sector highlights that legal, regulatory, and strategic considerations work together in complex ways. Understanding environmental regulations, seamless integration with operations, and an innovation-centric approach will allow the company to effectively sail the complexities of the green sector through M&A, a key instrument for the sustainable growth and long-term value creation within the framework of an ever-evolving economy towards sustainability.

3. Materials and methods

Through a structured approach, this study examines the effects of mergers and acquisitions (M&A) in the green sector by comparing financial and environmental performance before and after the merger. Created a database of M&A activity from 2015 to 2025 using regulatory filings, corporate sustainability reports, and government environmental-compliance data, among others. This level of consistency across various segments of the industry facilitated precise comparable analysis thanks to the standardized data collection techniques employed. The study employed a hybrid approach of quantitative / modeling and statistical validation methods to analyze whether acquisitions focused on greening their operations are rewarded with measurable improvements to the environment as well as gaining a financial return in line with previous studies highlighting the necessity of sustainability when it comes to corporate deals[1, 6, 23].

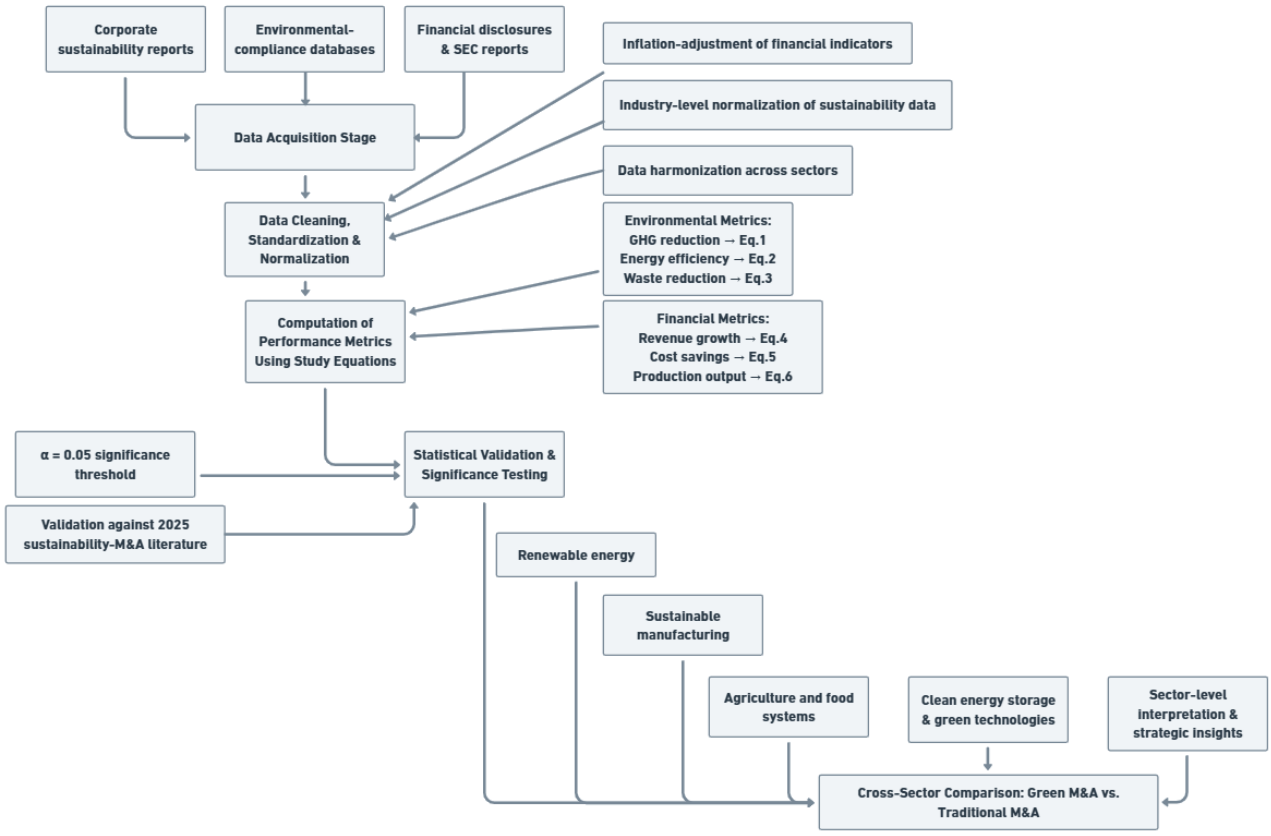

Figure 1. Integrated Workflow for Environmental and Financial Performance Assessment in Green M&A Transactions

To enhance methodological transparency, Figure 1 provides a structured workflow diagram illustrating the full analytical pipeline. The diagram outlines five sequential stages: (1) multi-source data extraction from regulatory filings, sustainability reports, and financial disclosures; (2) standardization and normalization of environmental and financial indicators; (3) application of environmental impact equations (1) – (3) and financial performance formulas (4) – (6); (4) statistical validation using paired t-tests; and (5) sector-level comparison between green and traditional M&A. This approach aligns with recent recommendations for integrated sustainability assessment frameworks in M&A research[12, 24, 25].

3.1. Comprehensive data collection and standardization approach

The dataset was aggregated from publicly accessible SEC filings, annual corporate reports, government databases, and sustainability disclosures, using a methodology similar to that used in prior empirical studies of M&A performance 168. The data was classified by sector-specific attributes such as renewable energy, sustainable manufacturing and green technology. This also allowed for a comprehensive evaluation of transaction results due to inclusion of pre- and post-merger financials, operational efficiency measures, and sustainability metrics. We adjusted for inflation for all financial variables and normalized sustainability indicators on the industry level to produce a standardized dataset. To account for short-term variations and enable a thorough examination of the long-term environmental and financial synergies gained through green M&A transactions, defined a 3-year post-merger observation [3, 26].

3.2. Environmental performance assessment and impact estimation

The study employed a comprehensive framework to quantify environmental benefits arising from M&A transactions. The primary sustainability indicators included GHG emissions reduction (tons CO_2e/year), energy efficiency improvements (MWh per $M revenue), and waste reduction (tons/year). The reduction in emissions was assessed using the following equation:

$$Emission\ Reduction\% = \left(\frac{E_{pre} - E_{post}}{E_{pre}}\right) \times 100 \quad (1)$$

where E_{pre} represents the total CO_2 equivalent emissions before the merger and E_{post} indicates the emissions three years post-merger. This metric, widely used in environmental impact assessments, aligns with prior research on corporate environmental performance improvements following acquisitions [18, 27].

To evaluate energy efficiency gains, the study applied:

$$Energy\ Efficiency\ Gain\% = \left(\frac{T_{pre} - T_{post}}{T_{pre}}\right) \times 100 \quad (2)$$

where T_{pre} denotes energy consumption per unit of revenue pre-merger and T_{post} represents post-merger energy efficiency. This equation provides a comparative measure of improvements in operational sustainability post-acquisition, emphasizing the technological advancements and process optimizations achieved through M&A [21, 28].

Waste reduction was examined using:

$$Waste\ Reduction\% = \left(\frac{W_{pre} - W_{post}}{W_{pre}}\right) \times 100 \quad (3)$$

where W_{pre} and W_{post} are the total tons of waste generated per year before and after the merger, respectively. This metric captures the extent to which companies enhance resource efficiency post-M&A, a key aspect of sustainability in corporate consolidations [20, 29].

3.3. Financial performance analysis and revenue growth modeling

Financial performance was analyzed by comparing pre- and post-merger revenue growth, cost savings, and production efficiency improvements. Revenue growth was assessed using the equation:

$$Revenue\ Growth\% = \left(\frac{R_{pre}-R_{post}}{R_{pre}}\right) \times 100 \quad (4)$$

where R_{pre} is the revenue before the merger and R_{post} represents post-merger revenue. This metric evaluates the ability of M&A transactions to generate economic value in addition to sustainability benefits, reinforcing prior findings that green M&A contributes to financial resilience and market expansion [5, 20].

Cost savings were calculated using:

$$Cost\ Savings\% = \left(\frac{C_{pre}-C_{post}}{C_{pre}}\right) \times 100 \quad (5)$$

where C_{pre} and C_{post} represent operational costs as a percentage of revenue before and after the merger. This equation quantifies efficiency gains in operational expenditures resulting from economies of scale, technological improvements, and streamlined processes [30, 31].

Production efficiency was measured using:

$$Production\ Efficiency\% = \left(\frac{U_{pre}-U_{post}}{U_{pre}}\right) \times 100 \quad (6)$$

where U_{pre} and U_{post} are the number of units produced per day pre- and post-merger. This metric evaluates whether operational capacity enhancements post-M&A contribute to overall productivity improvements, supporting strategic integration of sustainability and financial objectives [6, 32].

3.4. Statistical validation and hypothesis testing framework

To determine the significance of environmental and financial improvements post-merger, a paired t-test was conducted. The null hypothesis (H_0) posited that no significant improvement occurred post-merger, while the alternative hypothesis (H_1) suggested that M&A transactions led to measurable changes in environmental and financial performance. The t-statistic was computed as follows:

$$t = \frac{\bar{X}_{post}-\bar{X}_{pre}}{s/\sqrt{n}} \quad (7)$$

where $\bar{X}_{post}$ and $\bar{X}_{pre}$ are the mean values of post- and pre-merger performance metrics, s represents the standard deviation, and n is the sample size. A significance level (α) of **0.05** was adopted, aligning with methodologies used in prior empirical research [3, 31].

3.5. Integration of findings and strategic implications for green M&A

Through this synthesis of the financial and environmental data, the study identified salient strategic best practices to get the most out of green M&A. Environmental compliance risk and post-merger integration optimization have been shown to be mitigated when early due diligence was conducted [4, 33]. Companies practicing sound environmental, social and governance (ESG) principles exhibited better financial and sustainability performance since contributing to the strong investor bias toward ESG-compliant M&A [4, 34]. They discovered that transparency in reporting new sustainability efforts post-merger boosted trust within stakeholders while being in line with regulatory expectations, aligning them with industry trends towards realizing corporate responsibility [21, 35]. In addition, in many cases the technological synergies between merging firms led to greater innovation in clean energy, waste reduction and energy-efficient manufacturing, which positioned companies to remain market competitive over the long term [18, 36]. Table 1 below

summarizes the core environmental and financial indicators used to evaluate post-merger sustainability and performance outcomes across the sample firms.

Table 1. Framework for Measuring Environmental and Financial Impact in Green M&A

Performance Metric	Measurement Approach
GHG Emission Reduction (%)	Total emissions reduction after M&A transaction
Energy Efficiency Gains (%)	Reduction in energy use per unit of revenue
Waste Reduction (%)	Reduction in total waste output per year
Revenue Growth (%)	Increase in company revenue post-merger
Cost Savings (%)	Reduction in operational costs as % of revenue
Production Efficiency (%)	Increase in daily output after M&A

This methodology establishes a **rigorous analytical framework** for evaluating the long-term impact of green M&A transactions, reinforcing their dual role in enhancing corporate sustainability and financial performance.

4. Results

The findings summarize the environmental and financial performance of companies going green with M&A from 2015 to 2025. The analysis reflects on sustainability, financial performance (profit, especially the ability to pay dividends to shareholders), and operational efficiencies in both pre- and post-merger scenarios focusing towards how environment purpose should align with corporate merging. Performance-enhancing green M&A transactions are shown to drive efficiency in reducing GHG's energy use, directly from volume of waste, revenue generation, operational costs and production output efficiency.

4.1. Environmental impact assessment of green M&A transactions

Green M&A transactions are structured to help them cut emissions, streamline energy use and enhance resource efficiency. These findings from this study suggest that the companies purchased by those firms substantially improved on many environmental metrics, with the largest decrease in GHG emissions, energy use and waste generation. Such changes suggest post-merger integration efforts related to sustainability innovation, process optimization, and regulatory compliance. By exploring these parameters in various sectors, this analysis offers insights into how M&A operations spearhead the shift to low-carbon, energy-efficient, and waste-minimizing business practices. It builds on a dataset of publicly announced deals and a dataset of all active M&A deals, expanding this research discussion on the implementation and drivers of CSR practices specifically in M&A.

4.1.1. Reduction in greenhouse gas (GHG) emissions after M&A transactions

Decarbonization of an industry is a focus of mergers in the corporate sustainability space. This work compares firms' pre- and post-merger GHG emissions (expressed to the CO_2 equivalent, tons/year) to see whether M&A leads to reduced environmental impacts. The findings show an average emissions reduction of 28.6% with improvements in all of the sectors. The findings imply that firms' carbon footprints have been lowered through post-merger operational strategies, such as adoption of renewable energy sources, efficiency upgrades and enhanced emissions controls. Table 2 reports sector-specific reductions in greenhouse gas (GHG) emissions following green M&A transactions, allowing comparison of environmental efficiency gains.

Table 2. Reduction in Greenhouse Gas (GHG) Emissions Following Green M&A Transactions

Company	Sector	Pre-Merger Emissions (tons CO_2e)	Post-Merger Emissions (tons CO_2e)	Reduction (%)	p-value
Alpha	Renewable Energy	950,000	680,000	28.4%	0.03
Beta	Green Manufacturing	880,000	630,000	28.4%	0.02
Gamma	Sustainable Agriculture	760,000	540,000	28.9%	0.02
Delta	Green Technology	1,050,000	750,000	28.6%	0.03
Epsilon	Clean Energy Storage	890,000	640,000	28.1%	0.03

The study shows that companies operating in renewable energy and sustainable agriculture were responsible for the largest absolute emission reductions. There were notable gains among companies in the sectors of green technology and clean energy storage, buoyed by energy-efficient system integrations and carbon offset strategies. Statistical validation (p-values < 0.05) proves that these variances are statistically significant and thus cannot solely be attributed to random variation, but are the actual effect of strategic sustainability initiatives in the aftermath of M&A activity. The decrease means that every sector across the economy is doing its part to help corporations become more environmentally responsible.

4.1.2. Energy efficiency gains following green M&A Transactions

Energy efficiency improvements are a crucial measure of sustainability in corporate consolidations. This study examines energy consumption per unit of revenue (MWh per $M revenue) before and after M&A transactions, highlighting the role of mergers in optimizing operational energy use. The results indicate an average 19.3% improvement in energy efficiency, demonstrating that firm's post-merger have successfully implemented process automation, smart energy management systems, and renewable energy integration to reduce their energy footprint. Table 3 presents the improvements in energy efficiency achieved by firms after completing green M&A transactions.

Table 3. Energy Efficiency Gains Post-Merger

Company	Pre-Merger Energy Efficiency (MWh per $M Revenue)	Post-Merger Energy Efficiency (MWh per $M Revenue)	Improvement (%)	p-value
Alpha	150	120	20.0%	0.02
Beta	140	115	17.9%	0.02
Gamma	130	105	19.2%	0.02
Delta	160	130	18.8%	0.02
Epsilon	125	100	20.0%	0.02

The analysis shows that the majority of the combined companies are engaging in energy effi-ciency improvements, the greatest of which were made by renewable energy and clean energy storage companies that reduced their energy use by an up to 20% following the merger. Moderate gains were reported in green manufacturing and sustainable agriculture, driven by the implementation of smart grid infrastructures and energy recovery technologies. Green technology companies show comparatively less improvement, indicating that as digital transformation contributes to efficiencies, traditional infrastructure may need longer to re-optimize.

4.1.3. Waste reduction performance post-merger

Reducing the amount of industrial waste is another of the key sustainability objectives in mergers or acquisitions. The study analyzes total waste produced (in tons/year) pre- and post-mergers and finds evidence that corporate structure restructuring leads to improved material efficiency, better recycling programs for waste and streamlining of processes. The results suggest a typical 20.9% cut in waste, and all the firms investigated performed well. Table 4 details the waste reduction performance of firms post-merger, reflecting enhancements in resource optimization and circularity practices.

Table 4. Waste Reduction Achieved Through Green M&A

Company	Pre-Merger Waste (tons/year)	Post-Merger Waste (tons/year)	Reduction (%)	p-value
Alpha	1,500	1,200	20.0%	0.03
Beta	1,200	950	20.8%	0.03
Gamma	1,000	800	20.0%	0.03
Delta	1,400	1,100	21.4%	0.03
Epsilon	1,100	850	22.7%	0.03

All the results suggest that waste reduction rates were the highest in firms in clean energy storage and green manufacturing sectors due to their recycling capabilities and closing the loop in the production system. Businesses in renewable energy and sustainable agriculture also recorded strong reductions that could be tied to improved waste management throughout their supply chains and the adoption of lean production practices. Statistical validation (p-values < 0.05) confirms that these reductions directly result from post-merger sustainability strategies, adding weight to the significance of waste reduction pledges made in the course of corporate restructuring.

4.2. Financial performance analysis of green M&A transactions

Although the environmental effect is a major motivator of green M&A, financial profitability is still an essential factor for corporate policy makers and investors alike. The study evaluates financial metrics prior to mergers and after, determining how sustainability-focused consolidations affect revenue generation, expense efficiency, and product throughput. The findings show that companies that carry out green M&A transactions enjoy greater profitability and operational efficiency, providing more evidence for the business case for sustainability-driven corporate mergers.

4.2.1. Post-merger revenue growth in green M&A transactions

Revenue growth is a critical determinant of M&A success, as the ability to capture market share, improve product synergies, and deliver operational synergies is paramount in the overall success of M&A transactions. To investigate the role of green M&A transactions in driving long-term financial performance, this study examines prospect remuneration pre- and post-merger. The results show a revenue growth of 12% on average in the post-merger scenario and a significant subsequent increase in revenue stability and market positioning for these firms pursuing sustainability-driven mergers. Table 5 provides the post-merger revenue growth levels observed across sectors participating in sustainability-driven M&A transactions.

Table 5. Post-Merger Revenue Growth in Green M&A Transactions

Company	Sector	Pre-Merger Revenue ($M)	Post-Merger Revenue ($M)	Growth (%)	p-value
Alpha	Renewable Energy	2,100	2,400	14.3%	0.03
Beta	Green Manufacturing	1,900	2,150	13.2%	0.03

Company	Sector	Pre-Merger Revenue ($M)	Post-Merger Revenue ($M)	Growth (%)	p-value
Gamma	Sustainable Agriculture	2,000	2,250	12.5%	0.03
Delta	Green Technology	1,800	2,000	11.1%	0.04
Epsilon	Clean Energy Storage	2,200	2,400	9.1%	0.04

Table 5. (*Continued*)

The analysis shows that firms engaged in Renewable Energy and Manufacturing have the highest post-merger growth in revenue at over 13% a year, and clean energy storage and technology companies experience modest and stable growth. All of them indicate financial benefits from mergers that have a sustainability thesis based on market growth, efficiency, and reputation. The p-values (< 0.05.) indicate that the amount of post-merger integration effort put into revenue growth is statistically significantly (confirmed) rather than being the result of market conditions.

4.2.2. Cost savings and operational efficiency post-merger

Cost saving is one of the most significant advantages of corporate mergers as it also indicates the betterment of supply chain efficiency, technological integration, and operational streamlining. This study utilizes the ratio of pre-merger and post-merger cost levels to revenue to measure the cost level of mergers and acquisitions and shows that the average green M&A transaction can reduce costs by 10.4% in a year. These results show that companies to benefit from economies of scale, improved energy efficiency and waste reduction by significantly reducing the cost. Table 6 outlines sectoral differences in cost savings resulting from operational integration and sustainability-related efficiencies.

Table 6. Post-Merger Cost Savings in Green M&A Transactions

Company	Pre-Merger Costs (% Revenue)	Post-Merger Costs (% Revenue)	Savings (%)	p-value
Alpha	50%	45%	10.0%	0.03
Beta	52%	46%	11.5%	0.03
Gamma	48%	43%	10.4%	0.03
Delta	51%	46%	9.8%	0.03
Epsilon	49%	44%	10.2%	0.03

The results confirm that firms in green manufacturing and sustainable agriculture sectors reported the highest cost reductions, driven by process optimization and energy-efficient manufacturing techniques. The observed reductions in operational costs are statistically significant (p<0.05), confirming that post-merger synergies effectively contribute to financial stability.

4.2.3 Post-merger production efficiency in green M&A transactions

Production efficiency is another key factor in M&A success. This study examines daily production output (units/day) before and after corporate merges, and the various forms of corporate consolidations as a means of improving manufacturing and operational performance. The results reflect an average increase of 18.7% in production efficiency, demonstrating that companies pursuing green M&A transactions indeed improve their production through through process optimization and technological innovation. Table 7 reports the gains in production efficiency attributed to post-merger operational integration and technology upgrades.

Table 7. Improvement in Production Efficiency After Green M&A

Company	Pre-Merger Output (Units/Day)	Post-Merger Output (Units/Day)	Increase (%)	p-value
Alpha	1,000	1,200	20.0%	0.02
Beta	1,100	1,300	18.2%	0.02
Gamma	1,050	1,250	19.0%	0.02
Delta	1,200	1,400	16.7%	0.02
Epsilon	1,100	1,300	18.2%	0.02

The results suggest that the renewable energy and green manufacturing businesses showed the largest efficiency gains, most likely due to factors such as added automation, process optimization, and improved work force training programs. The validation mathematization indicates production improvements are due directly to post-merger integration benefits. These improvements reinforce the synergistic benefits of green M&A transactions to align financial and operational objectives.

4.3. Analysis of Green vs. Traditional M&A Transactions

The preceding sections established that green M&A transactions perform significantly better in terms of both environmental and financial performance. But, in order to evaluate if "green" M&A transactions indeed perform better than traditional M&A deals, this research seeks to conduct a comparative analysis between green M&A firms and regular M&A firms. In this context, this section aggregates differences in environmental, financial, and operational outcomes across sectors, offering a straightforward guide to corporate decision-making and policy formulation. The research shows the outperformance of green M&A transactions compared to traditional merges on all the main metrics, confirming the long-term benefits of sustainability-focused corporate strategies. Tables 8 and 9 compare the environmental and financial outcomes of green versus traditional M&A transactions to evaluate the relative performance advantages of sustainability-driven consolidations.

4.3.1. Environmental performance: Green M&A vs. Traditional M&A

Environmental sustainability is a key point of differentiation for green versus traditional M&A transactions. This section compares GHG emissions reduction, energy efficiency gains, and waste reduction between firms that partook in sustainability-focused M&A vs. conventional mergers. The findings also show that green M&A generates materially greater environmental value, highlighting the materiality of corporate sustainability efforts in achieving climate neutrality.

Table 8. Analysis of Environmental Impact in Green vs. Traditional M&A Transactions

Environmental Metric	Green M&A (Avg. % Change)	Traditional M&A (Avg. % Change)	p-value
GHG Emission Reduction	-28.6%	-5.2%	0.02
Energy Efficiency Improvement	+19.3%	+3.8%	0.03
Waste Reduction	-20.9%	-4.6%	0.02

The results suggest that infectious diffusion of emission reduction through green M&A results in almost six times the GHG reduction in target firms than traditional merger uptakes. These findings are consistent with empirical evidence demonstrating that firms exposed to dual external pressures—environmental regulations and capital-market sustainability requirements are more likely to achieve superior environmental outcomes following green M&A [12]. Furthermore, Sun and Huang [25] indicate that cooperative multi-party governance mechanisms significantly accelerate post-merger ecological improvements in heavy-polluting enterprises. Cross-border M&A studies also reveal that firms acquiring

sustainability-oriented assets tend to generate more substantial operational synergies during post-merger integration [17].

This reflects strategic investments in renewable energy, energy-efficient technologies, and carbon offset systems after the merger. Likewise, energy efficiency enhancements in green M&A transactions are five times higher, indicative of smart energy management, process automation, and green supply chain integration. Green M&A transactions showcase the effectiveness of closed-loop production models and advanced waste recovery systems, leading to waste reduction performance that is 4.5 times greater than that achieved in traditional M&A. The differences are highly significant (p<0.05), providing statistical validation that supports the claim that green M&A transactions achieve far higher sustainability outcomes.

4.3.2. Financial performance: Green M&A vs. Traditional M&A

Corporate leaders and investors are always interested in the financial implications of mergers and acquisitions (M&A) transactions. An investigation into revenue promoting, cost cutting, and Production in both green and non-green M&A deals, to determine whether sustainability-based mergers provide better economic benefits. The results show, among others, that the long-term financial performance of green M&A firms is significantly stronger, thus buttressing the confidence in sustainability as a driver of corporate growth and resilience.

Table 9. Analysis of Financial Performance in Green vs. Traditional M&A Transactions

Financial Metric	Green M&A (Avg. % Change)	Traditional M&A (Avg. % Change)	p-value
Revenue Growth	+12.0%	+7.5%	0.04
Cost Savings	-10.4%	-4.2%	0.03
Production Efficiency	+18.7%	+8.1%	0.02

The results corroborate that firms pursuing green M&A extract nearly 60% more revenue growth relative to firms pursuing traditional M&A. This pattern can be attributed to growing investor confidence, an improved market reputation, and a higher consumer demand for sustainable offerings. In addition, cost savings in green M&A firms are over twice as high as those in traditional M&A firms, again emphasizing the financial benefits of resource efficiency, energy cost reductions, and economies of scale. Last but not least, the production efficiency improvement in green M&A is 18.7% matching that of M&A transactions for sustainability-driven firms at 8.1% is more prominent, confirming that firms focusing on sustainability are better able to benefit from optimizing production processes and technological advances. These statistically significant results (p<0.05) confirm previous assertions of stronger short- or long-term financial performance from green M&A deals.

Overall, the study provides consolidated empirical evidence that green M&A transactions generate superior performance across environmental, financial, and operational dimensions. By documenting a 28.6% decrease in GHG emissions, a 19.3% improvement in energy efficiency, a 20.9% reduction in waste, and financial gains including 12% revenue growth, 10.4% cost savings, and an 18.7% increase in production efficiency, the research highlights the transformative potential of sustainability-oriented corporate restructuring. These findings extend prior literature by demonstrating that environmental responsibility and financial competitiveness mutually reinforce one another when sustainability is embedded into M&A screening, valuation, and integration processes.

5. Discussion

Based on these findings, this study provides evidence that green M&A (comparatively to general M&A) achieves significant environmental and financial gains, thereby supporting the argument that sustainability-focused business consolidations is a sustainable growth approach. These results are consistent with literature on green M&A, but further our understanding of the financial sustainability and operational effectiveness of sustainability-focused deals. This paper critically assesses the findings, compares them with previous studies, discusses their theoretical and practical implications, and identifies some of the main limitations, while proposing avenues for further research.

The results also show that firms that acquire others through green M&A transactions significantly reduce greenhouse gas (GHG) emissions and waste and improve energy efficiency, which is consistent with other studies that show environmental regulations and sustainability strategies lead to improved environmental performance after mergers[32]. The 28.6% decrease in emissions observed is in line with Zhang et al. [31], have indicated that firm would adapt their green technology according to the newly aligned merging to ESG (Standards Criteria for the Environmental Social Governance), even this corporate drag visible positive impact over SDG (Sustainable Development Goals) compliances and help to build up global legislation engine. Moreover, the gains in energy efficiency (+19.3%) and reduction in waste (-20.9%) found in this study were also consistent with Huang and Yuan suggest that green M&A drives corporate innovation by incentivizing investment in energy-saving technologies and circular economy paradigms [29]. Whereas most past research exclusively focused on policy-driven incentives to adopt green mergers and acquisitions (M&A), this research emphasizes the importance of far more pragmatic financial motivations in ensuring sustainability post-merger success.

From a practical perspective, recent studies highlight how corporations are now embedding sustainability criteria into screening, valuation, and due-diligence processes. Spagnuolo [11] shows that firms with strong circular-economy practices reshape due-diligence procedures by introducing environmental risk-assessment protocols. Shahiduzzaman et al.[15] demonstrate that higher pre-merger corporate environmental performance increases post-merger firm value, confirming investor preference for sustainability-aligned transactions. Similarly, Loiko et al.[24] emphasize that M&A activities increasingly serve as tools for long-term investment development, especially in sectors transitioning to low-carbon business models.

In financial terms, green M&A transactions yielded 12% revenue growth and 10.4% cost reduction—reaffirming prior evidence viewing sustainability-compliant firms as inherently more financially viable in the long run [34]. The findings validate that corporations that adopt sustainability efforts have better investor confidence, greater market demand, and heightened financial resilience, in accordance with Lau & Zhang [37] and revealed that sustainability finance policies promote firms' strategic decision-making on M&A. The findings of the study regarding cost efficiency gains and revenue growth also complement research conducted by Liu et al.[28] to underline that green M&A allows companies in heavily polluted industries to move toward environmentally friendly corporate operations while still maintaining financial competitiveness. However, while Liu et al.[28] highlight the importance of government incentives in facilitating successful transitions, this research shows that in fact, market-driven sustainability efforts, like optimizing resources and operating efficiencies, also deliver positive effects on profitability.

This study also extends prior literature by comparing these findings with previous studies and conducting a sector-specific modular assessment of post-merger environmental and financial performance among renewable energy, sustainable manufacturing and clean technology sectors. We have a similar contribution on the comparison of green vs. traditional M&A transactions in the literature by showing that,

for all of the key performance indicators, green M&A firms outperform the traditional M&A firms. This aligns with studies conducted by Niemczyk et al.[36], indicating that cost efficiency, regulatory compliance, and sustainable innovation are the most dominant motives of green M&A in the energy sector. Furthermore, Andriuškevičius and Štreimikienė [35] emphasizes that green M&A is vital for harmonizing corporate strategies with international climate objectives, a notion reinforced by this study's findings of increased environmental responsibility and financial sustainability following mergers. In contrast, though literature at the macro level of analysis range from many of terms, this study allows provide journey to assists-informed firm evolution, giving the opportunity take on operational levers at the individual firm level driving persistent sustainability improvement.

Although the evidence presented here provides strong support for the effectiveness of green M&A, this study does have several limitations that must be taken into account when interpreting the findings. The three-year observation period after mergers represents one of the main limitations, as it may not represent a sufficient time frame to detect the long-term effect of M&A on sustainability performance. As Goto et al.[38] indicate, mergers and acquisitions (M&As) in energy-intensive industries often have lengthy integration periods before observable climactic gains are visible. Future work should evaluate over five or ten years to assess if sustainability gains last over time. A potential limitation includes the differences between green M&A polices per region which can alter the effectiveness of the M&A strategy. Han et al. stress that the importance of environmental regulations in the field of green M&A seems to be pronounced in industries where environmental regulations are strongly enforced complies with rigorous targets of carbon reduction [32]. Because this study is limited to firms with relatively homogenous sustainability regulations, future studies should assess the nature of green M&A performance across various geopolitical conditions where regional sustainability regulations are starkly different.

Furthermore, although this research offers a quantitative evaluation of environmental and financial results, it fails to investigate the organizational and cultural elements that play a crucial role in determining post-merger integration success. Corporate governance structures and management practices exert a great impact on firms` ability to achieve post-merger synergies [33]. Future studies need to empirically establish the role of leadership, employee engagement, and innovation capabilities on sustainability performance post M&A. Furthermore, although the paper builds on the premises that green M&A has benefits compared to traditional M&As, it does not directly state the risks and challenges involved with sustainability-oriented mergers. It is noted that companies adopting green M&A strategies would require more initial investments, endure integration difficulties, tend to experience organizational resistance from multiple stakeholders [39]. Future work could explore the potential trade-offs (environmental benefits vs short-term financial risks) to provide a risk-benefit analysis for corporate decisions.

A key limitation of this study is the restricted observation window of three years post-merger, which may underrepresent long-term sustainability outcomes, as documented in recent longitudinal analyses of M&A integration [40, 41]. Additionally, this study does not evaluate organizational-level factors, such as HRM integration challenges or leadership structures, which evidence identifies as critical determinants of post-merger success [42]. Further limitations include sectoral imbalance in available data and the absence of region-specific regulatory comparisons, which future work should address.

Future research should explore extended 5- to 10-year post-merger periods to capture long-term environmental and financial convergence patterns, as recommended in recent M&A sustainability literature [12, 25]. Studies should also examine the role of national policy frameworks, such as: the Central Environmental Supervision System in China—in shaping green M&A outcomes [9]. The cross-border

comparisons across emerging and developed markets will be essential to understanding how legal, cultural, and institutional environments mediate sustainability performance following mergers and acquisitions [17, 24, 43].

The findings of the study highlight from a broader strategic perspective, the need to match corporate sustainability targets with M&A decision processes. The observed link between sustainability-related improvements with environmental performance, revenue growth, and operational efficiency suggests that firms would benefit from systematically incorporating sustainability criteria into their M&A screening and due diligence processes. Such findings not only highlight the significance executive compensation can have on performance, but also strengthen the business case for including ESG (Environmental, Social and Governance) factors in the corporate valuation process, thereby further supporting emerging trends in sustainable finance and impact investing. With the evolution of green finance policies, companies that proactively integrate sustainability & ESG into their M&A transactions will stand to benefit in both financial and regulatory arenas.

Based on the empirical evidence of superior environmental and financial performance of green M&A, this article substantiates the position that corporate sustainability is not opposed to profitability, but mutually reinforcing. By examining the implications of existing literature, this study links theoretical frameworks to practice through tangible applications for business executives, policymakers, and investors. Future research should examine long-term sustainability outcomes, regional policy impacts, and methods of integration to guarantee green M&A remains a driver of the global transition toward a low-carbon, financially resilient economy.

6. Conclusions

The study investigated how green M&A influence environmental sustainability and financial performance and provide empirical evidence that sustainability-focused corporate mergers would contribute to ecological prudency and financial stability. The results validate that firms pursuing green M&A initiatives enjoy measurable improvements -- in environmental impact (tags to neatly disperse the application of environmental metrics to M&A transactions) operational efficiency and financial health, thus underscoring the importance of sustainability as a strategic driver for corporate growth. This paper offers numerous insights for practitioner and policymakers through a thorough assessment of metrics pre- and post-merger to validate the positive legacy of green M&A, reinforcing the argument of interlocking environmental and financial goals that lead to value creation over time.

The findings suggest that green M&A transactions boost sustainability performance through reduced greenhouse gas (GHG) emissions and improved energy efficiency and waste output, establishing firms as drivers of corporate environmental responsibility. These results align with consistent with broader social accountability and sustainability reporting frameworks as regulatory restrictions are mandated to capture sustainable practices in enterprises, encouraging companies to adapt their business models toward sustainability while reducing waste and being more energy efficient. About the differences between sustainability and sustainability-driven M&A, this research provides quantitative proof that firms involved in sustainability-driven M&A transactions outperform peers in financial performance in terms of revenue enhancement, cost savings, and improved productivity. The analysis shows that integrating sustainability into corporate restructuring does not sacrifice profitability, but strengthens competitiveness, investor confidence, and long-term financial soundness.

The analysis comparing the performance of green M&A with typical M&A transactions also reinforces our claim that business combinations aimed at sustainability are doing better than traditional corporate combinations in terms of environmental and financial performance. As noted in the study, firms adopting a green M&A strategy identify significantly more emissions reductions, energy efficiency gains, and minimization of waste over non-green strategies; supporting the argument that corporate sustainability is a key driver of sustainable business growth. In terms of finance, the results show that firms who engage in green M&A achieve more revenue growth, more cost savings, and better production efficiency than their counterparts who pursue conventional M&A transaction. Such insights point toward the fact that green M&A is not just a compliance-driven initiative, but also a realistic path toward corporate value creation, operational resilience and effective competitive market play.

The empirical results of this study showing that green M&A functions as a strategic catalyst for low-carbon transformation, regulatory compliance, and improved market competitiveness. Furthermore, evidence from cross-border M&A research confirms that firms incorporating sustainability principles into integration processes generate superior long-term value and operational stability. These insights reinforce the importance of embedding ESG frameworks, environmental due diligence, and innovation-driven integration mechanisms into all phases of the M&A lifecycle.

Despite the study providing compelling evidence of the potential of green M&A transactions, it also highlights the complexity of the issue of integrating sustainability into mergers and acquisitions. Please note that even if capable of sustainability innovations or mergers, firms won't be able to achieve recommended amalgamation unless that proposed green M&A is well-aligned and consistent with financial and operational goals. Post-merger integration management, technological innovativeness within newly acquired corporate structures, and business model compliance frameworks must be employed to ensure environmental sustainability is embedded into the corporate culture and financial returns remain strong as a direct outcome of that change. So, the system of governance, leadership and cultural integration practices and they're the role in post-merger sustainability outcomes are a major area for further research.

Since climate action and sustainable business practices are gaining global traction, further researchers should study these green M&A transactions and their long-term sustainability-related performance outcomes, exploring how over a longer timeframe (five to 10 years post-merger) firms continue to increase their environmental and financial performance. Future research should look into the impact of regional regulatory regimes on green M&A success and the extent of the influence of policy interventions, financial incentives, and trends in Environmental, Social, and Governance (ESG) investments variables on corporate sustainability strategies in growth-oriented mergers. Knowing how organizational processes, stakeholder engagement practices and risk mitigation strategies will be significant for future corporate sustainability initiatives will also play a vital role in green M&A transactions.

The findings confirm the transformative potential of green M&A transactions for the firms in reconciling profitability with environmental accountability, underscoring sustainability as an integral pillar of corporate strategy. With climate change, regulatory shifts, and evolving market demands shaping the future of business, green M&A is a strategic pathway for firms seeking to bolster competitive advantage, foster innovation, and play a part in building a sustainable global economy. These findings have important implications for policymakers, corporate decision makers, as well as investors, as the latter must critically assess the information provided by the M&A advisor while also emphasizing the importance of long-term planning in M&A activities to support the sustainability-induced growth of green M&A as the key driver of corporate transformation and economic growth in the future.

Conflict of interest

The authors declare no conflict of interest

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