**ABSTRACT**

*Financial performance is a crucial indicator to assess the effectiveness of resource management in achieving profitability. This study focuses on the impact of capital structure and environmental cost on the financial performance of energy sector companies listed on the Indonesia Stock Exchange for the period 2019–2023, with control variables including liquidity, age, size, and growth. Financial performance is measured using Return on Assets (ROA), which reflects how efficiently companies manage their assets to generate profits.*

*The purpose of this research is to analyze both the simultaneous and partial effects of capital structure and environmental cost on financial performance, as well as to understand the role of control variables in these relationships. By identifying the factors that influence financial performance, this study aims to provide recommendations for companies in developing funding strategies and managing environmental costs effectively.*

*This research employs the panel data regression method to examine the relationship between independent and dependent variables, with data processed using EViews 13 software. The data used in this study are secondary data derived from the annual reports and sustainability report of energy sector companies listed on the Indonesia Stock Exchange for the period 2019–2023. The total number of observations analyzed in this study is 50, obtained from 10 companies. The sampling technique used was purposive sampling, based on specific criteria to ensure that the data processed is relevant to the research objectives.*

*The results of hypothesis testing indicate that simultaneously, short-term debt ratio, long-term debt ratio, total debt ratio, and environmental cost have a significant effect on Return on Assets (ROA), with control variables including liquidity, age, size, and sales growth. Partially, the short-term debt ratio has a significant negative effect on financial performance, while long-term debt ratio, total debt ratio, and environmental cost do not show a significant influence.*

*This study is expected to serve as a reference for future research by considering other independent or control variables. Companies are advised to optimize their capital structure and maintain liquidity to avoid excessive reliance on risky short-term debt, as well as to uphold their commitment to environmental responsibility to ensure long-term sustainability and corporate reputation. Meanwhile, investors are encouraged to be more careful in analyzing the company's financial structure and are advised to take sustainability and environmental governance factors into account when making investment decisions.*

***Keywords:*** *Capital Structure, Environmental Cost, Financial Performance*.