CENTER FOR ENVIRONMENTAL MANAGEMENT AND SUSTAINABLE ENERGY

CEMSE

BUDGET REVIEW ON ENERGY SECTOR

2026

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Abbreviations

Acronyms	Meaning
Capex	Capital Expenditure
ESLA	Energy Sector Levy Act
GDP	Growth Domestic Product
GNPC	Ghana National Petroleum Corporation
GPF	Ghana Petroleum Funds
GPP	Gas Processing Plant
IPP	Independent Power Producer
MMSCFD	Million Standard Cubic Feet per Day
MW	Mega Watt
NITS	National Interconnected Transmission System
OCTP	Offshore Cape Three Point
PRMA	Petroleum Revenue Management Act

Executive Summary

The 2026 budget for Ghana's energy and green transition sector shows a significant increase in expenditure allocation, with a focus on reducing the energy sector's debt, expanding electricity infrastructure and accessibility, and boosting petroleum upstream investment.

Introduction

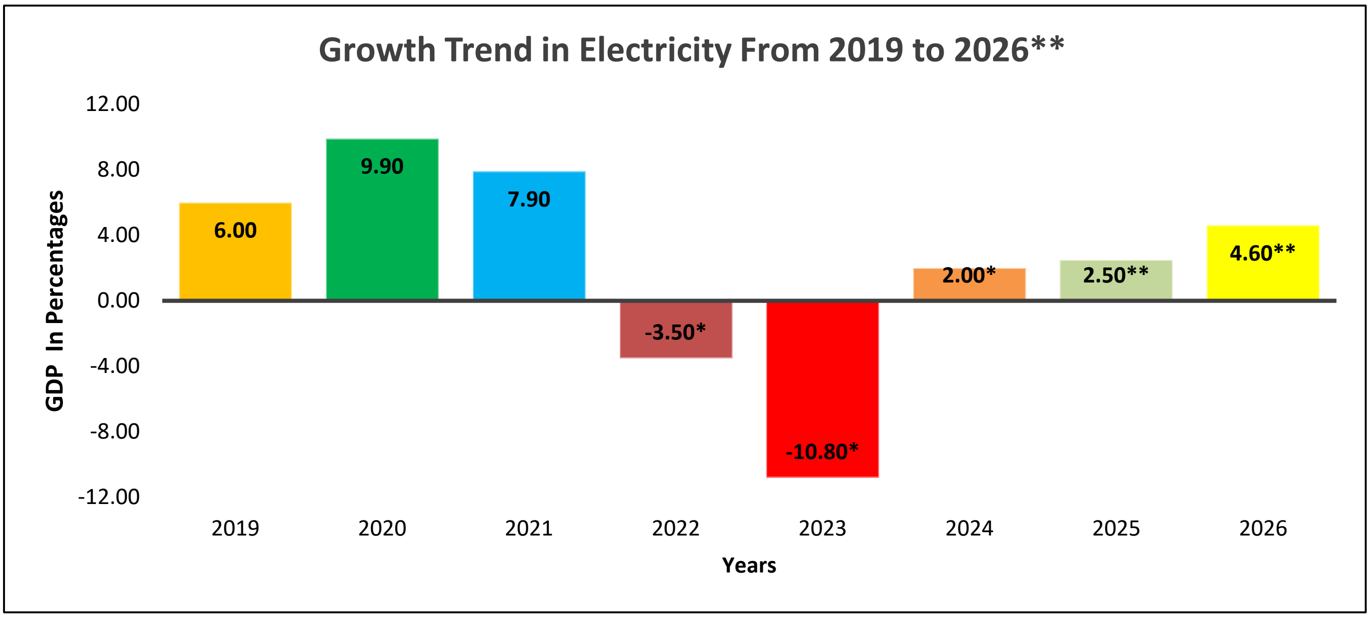
The 2026 budget was presented with high expectations of improved efficiency in the energy sector, reduction of debt in the sector, and improved capital expenditure to increase access to electricity to over 99%. In addition, there were high expectations of new petroleum agreements and Power Purchase Agreements to increase future crude oil outputs and available power for the government flagship 24- hour economy programme. There was also an expectation of energy transition and policy targets towards the penetration of Liquefied Petroleum Gas at the household level.

The following analysis presents a critical assessment of the 2026 budget for energy and green transition. The presentation discussed the sector growth with emphasis on electricity and oil & gas, allocations to the ministry, debt, and subsidies of the power sector, infrastructure, petroleum upstream, petroleum downstream, and development of renewable energies.

ENERGY SECTOR GROWTH

The key areas in the budget with respect to energy sector growth are electricity and oil and gas sub-sectors of industry. The projected growth for electricity in 2026 is 4.6% which is a 2.1 percentage point increase from the projection for 2025. The electricity subsector of the industry observed a contraction in 2022 (-3.5%) and 2023 (-10.8%). However, based on provisional data of 2.0% for 2024, the sector began expanding, although less than the peak of 9.9% in 2020 within the last seven years. See Figure 1.

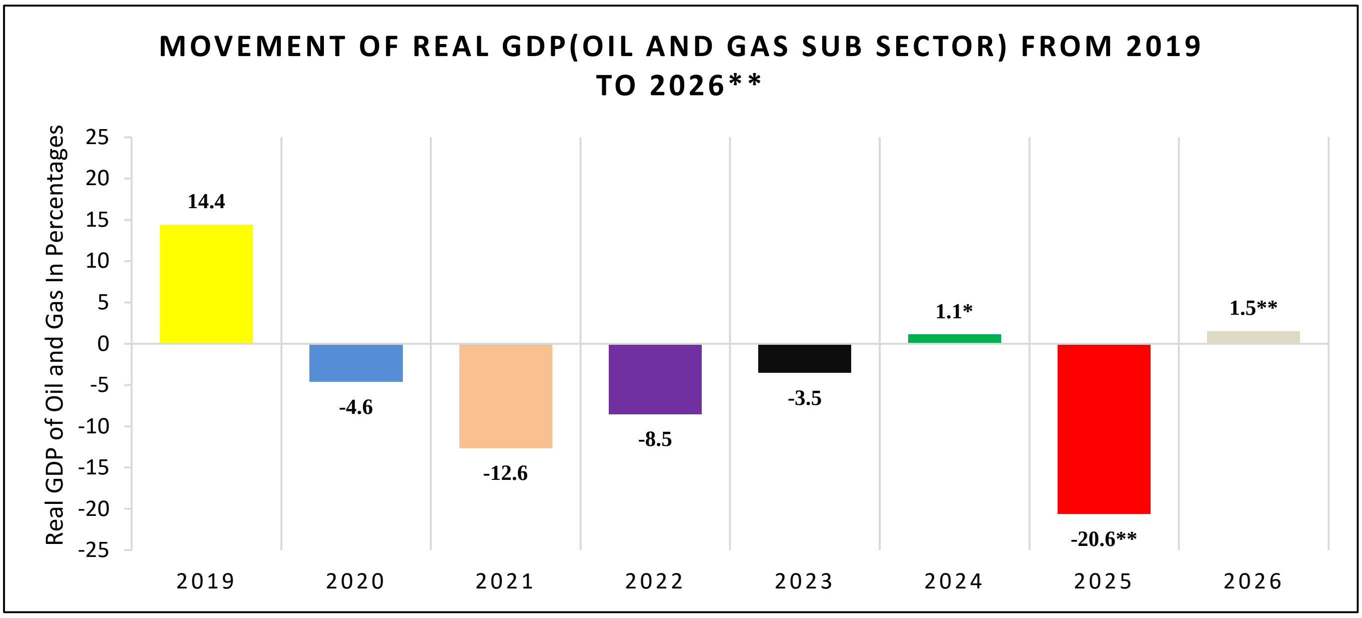
Figure 1: Real GDP of Electricity Sub Sector from 2019 to 2026



Source: Ministry of Finance, 2025
*Note: *provisional*
***projection*

The projected growth for the oil and gas sub-sector for the financial year 2026 is 1.5%, an expansionary growth compared to the projected 20.6% contractionary growth in 2025. The peak expansionary growth was observed in 2019 at 14.4%, and the least growth was observed in 2020 at -20.6% within the last seven years. See Figure 2.

Figure 2: Real GDP of oil and gas sub sector from 2019 to 2026



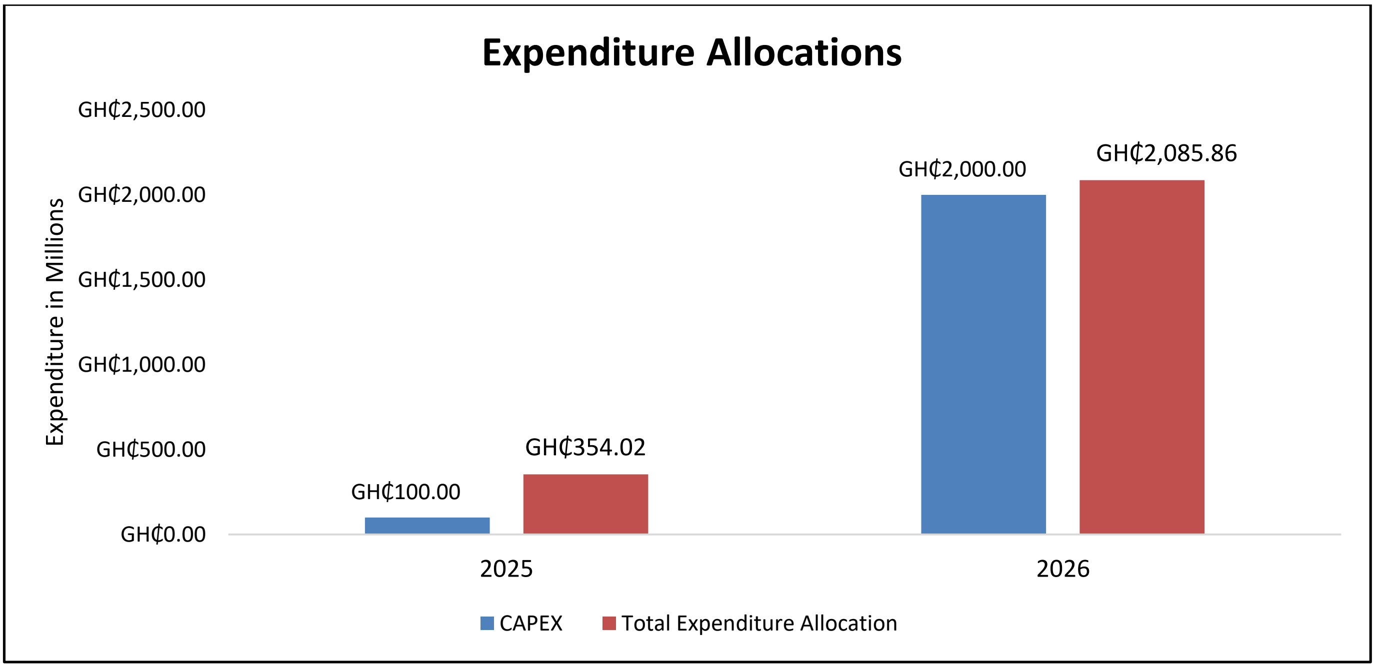
Source: Ministry of Finance, 2025
*Note: *provisional*
***projection*

Budget Allocation to the Energy and Green Transition Ministry

The 2026 budget expenditure allocation to the Ministry of Energy and Green Transition exceeds the 2025 budget by approximately 489%, from Ghc354,023,554 in 2025 to Ghc2,085,855,606 in 2026.
The Capex increased by over 1900% from Ghc100,000,000 in 2025 to Ghc2,000,000,000 in 2026.

The 2026 budget also made provisions of about Ghc10,000,000 for goods and services, unlike the 2025 budget which made no allocation for goods and services for rural electrification. The huge expenditure allocation made for capex means that the 2026 financial year is expected to increase the Rural Electricity Acceleration and Urban Intensification Initiative for Three (3) Regions, thereby achieving 99% of Ghana's population with access to electricity by 2030, as indicated in Ghana's Energy Compact Document. See figure 3

Figure 3: Expenditure allocations to Ministry of Energy and Green Transition



Source: Ministry of Finance, 2025

Compensation as part of expenditure allocation for the ministry increased from Ghc15,351,908 in 2025 to Ghc17,183,960, reflecting an approximately 12% surge year on year. Development Fund from development partners is expected to increase to about Ghc723 million in 2026 from about Ghc359,059,946 in 2025 representing about 100% surge. The geopolitical crises across the major economies will likely affect development fund inflows, thereby missing this revenue target.

Energy Sector Shortfall (Debt situation of the sector)

Assessment of the 2026 budget reveals that the Energy Sector Shortfall has reduced by about 93% from a 2025 revised shortfall of about Ghc29 billion in 2025 to about Ghc15 billion in 2026. As of 3Q25, provisional data revealed that Ghc15,100,037,744 had been paid to Independent Power Producers and other sector shortfall beneficiaries which represented approximately 51% of payments as of that quarter.

The reduction in the sector shortfall could be attributed to the stronger performance of the cedi, improvements in revenue mobilisation, full disclosure of revenue mobilised by ECG, and renegotiation of IPPs contracts that saved Ghana about $261 million.

The amendment of the Energy Sector Levy Act 899 (2015) to Act 1138 (2025) also improved ESLA revenues to redeem some debt in the power sector. The programmed ESLA proceeds for 2025 is about Ghc9 billion and provisional outturn as at 3Q25 is Ghc5,797,128,718. The projected outturn for 2026 is about Ghc12 billion, representing a 33% increase in revenue to defray sector debts to IPPs.

With a stable cedi at Ghc11 to US$1, it is expected to accumulate over US$1 billion in 2026 which almost represents the sector shortfall. Prudent management of the sector should see sector shortfalls decline to Ghc2 billion by 2028.

It is also observed that subsidies in the power sector have also declined from Ghc150 million annually in 2024 to Ghc50 million in 2026, representing reductions in the central government bearing the burden of electricity consumers.

Infrastructure

The infrastructure plan in the 2026 budget is underpinned by three critical pillars: cheaper sources of fuel for power generation, increasing generation capacity, and expanding the accessibility of electricity to a universally accepted penetration level. Based on these pillars, the 2026 budget proposes the construction of Gas Processing Plant 2 (GPP2) which represents a critical and long-overdue investment in both energy backbone infrastructure and social infrastructure (electrification). Although GPP 2 is a necessary enabler of the gas-to-power strategy of the government, the lack of mention of the specific source of funding for the project may cause implementation delays and higher cost overruns.

In addition, the 2026 budget is projected to add approximately 1200 MW of thermal plant infrastructure to Ghana's generation capacity, with commencement expected in 2026. When completed, this project is expected to utilise 150 mmscsfd of new gas from the OCTP partners. The provision of an efficient baseload is necessary to achieve the availability and affordability of power, but the lack of mention of a specific source of funding for such huge projects in the project will likely impede the effective execution of such plants.

The budget mentions the amendment of the PRMA (Act 815) of 2011 to utilise a portion of the Ghana Petroleum Funds (GPF) for investment in the energy sector. The decline in crude production and stable price outlook for crude oil puts the fund in a risky position to support state-owned entities which have historically been social enterprises for political affiliates. As of 1H25, the reserves of the GPF were US$1.46 billion, and using portions to fund state-led entities could affect the economy in times of international market distortions.

Lastly, the budget allocated approximately Ghc2 billion in 2026 for the intensification of rural electrification to increase accessibility from 89%

to 99.8% by the end of 2030. The allocation is about 489% higher than the 2025 allocation, which shows the government's intention to connect unserved and underserved communities to electricity. However, the expenditure should be aligned with the modernisation of the national interconnected transmission system (NITS) to guarantee an available and reliable supply.

Petroleum upstream and downstream

The 2026 budget aims to reverse Ghana's declining upstream by securing $3.5 billion in new investment commitments for 2025 ($2B for Jubilee/TEN and $1.5B for OCTP) to drill new wells and expand operations. Furthermore, the Ghana National Petroleum Corporation (GNPC) is expected to commence drilling in the Offshore Volta Basin in October 2026, while the Petroleum Commission is expected to review regulatory and fiscal policies to make Ghana's upstream sector competitive and attractive for business. The pledged $3.5 billion investment is a strong vote of confidence and a direct response to the alarming 50% decline in oil production.

Attracting a major player like Shell could bring superior technology and operational expertise, and regulatory review is essential for long-term sustainability and attracting further investment. However, the turnover of the sector based on the effective implementation of these investments would be in the medium term, beginning in 2027, and for that matter, Ghana's crude production is expected to decline in 2026. Another challenge is GNPC's financial and technical capacity to lead exploration in the offshore Volta Basin which is highly risky.

The 2025 budget mentioned cylinder manufacturing and the utilisation of biofuels in the transport sector. However, the medium-term outlook for 2026 did not capture petroleum downstream.

Development of Renewable Energy

Unlike the 2025 budget, which was specific in providing targets for renewable energy, the 2026 budget was silent on specificity with regard to project deliverables. The 2025 budget mentions the creation of a Renewable Energy Investment and Green Transition Fund, construction of 35 mini grids, supply of 381 solar home systems for public facilities in off-grid communities in Bono East, Oti, and Savannah Regions, distribution of 1,450 solar home systems for remote off-grid households and public facilities, and deployment of 12,000 net-metered solar PV systems across homes, businesses, and public facilities.

None of these targets was achieved in 2025, yet the 2026 budget was silent on their continuity. The lack of clarity on renewable energy in the 2026 budget raises questions about the government's commitment to achieving the 10% target of renewable energy within Ghana's energy mix by 2030.

Conclusion

In conclusion, the 2026 budget for Ghana's energy and green transition sector shows a significant increase in expenditure allocation, with a focus on reducing the energy sector's debt, expanding electricity infrastructure and accessibility, and boosting petroleum upstream investment. However, the budget lacks specificity on renewable energy targets and projects, raising concerns about the government's commitment to the 10% renewable energy goal by 2030. The successful execution of the proposed infrastructure projects and upstream investments will be critical in achieving the sector's growth objectives, but the lack of clear funding sources could hinder effective implementation.

Recommendations

Based on the analysis of the 2026 budget for Ghana's energy and green transition sector, here are five key recommendations:

1. *Strengthen Commitment to Renewable Energy Targets*

The 2026 budget lacks clarity on specific renewable energy targets and projects, raising concerns about the government's commitment to achieving the 10% renewable energy goal by 2030. The government should provide clear and measurable renewable energy targets in the budget, along with detailed plans for project implementation and funding sources.

2. *Ensure Adequate and Reliable Funding for Infrastructure Projects*

The budget proposes critical infrastructure projects, such as the Gas Processing Plant 2 and additional thermal power generation capacity. However, the lack of specific funding sources for these projects could lead to implementation delays and cost overruns. The government should secure reliable funding mechanisms, such as public-private partnerships or accessing development finance, to ensure the timely and effective execution of these infrastructure projects.

3. *Enhance Transparency and Accountability in the Energy Sector*

The reduction in the energy sector's debt or shortfall is a positive development, but the government should continue to improve transparency and accountability in revenue mobilization, debt management, and subsidy allocation. This will help build trust and ensure the efficient utilization of resources in the energy sector.

4. *Strengthen GNPC's Technical and Financial Capacity for Upstream Exploration*

The budget aims to reverse the declining upstream oil and gas production by securing new investment commitments.

However, the government should also focus on enhancing the technical and financial capacity of the Ghana National Petroleum Corporation (GNPC) to lead exploration activities in the offshore Volta Basin, which is a highly risky endeavor.

5. *Align Infrastructure Investments with Modernization of Transmission System*

The budget allocates significant resources for rural electrification to increase access to 99.8% by 2030.

However, the government should ensure that these investments are accompanied by the modernization of the national interconnected transmission system (NITS) to guarantee a reliable and stable electricity supply.