

For Immediate Release**2026 Budget: Forward-Looking Yet Fails to Confront Deep Energy Sector Challenges**

Following the presentation of the 2026 Budget Statement and Economic Policy, the Institute of Climate and Environmental Governance (ICEG) seeks to make known its evaluation on the “Energy Sector Initiatives” outlined in the budget. ICEG acknowledges government’s ambitious proposals to ensure energy security. While these initiatives signal a strong commitment to resolving long-standing challenges, our analysis reveals some shortfalls which cannot be overlooked.

- **Reliance on short-term financial measures.** The budget on the energy sector proposes measures mainly relying on short-term financial fixes, such as paying arrears, restoring letters of credit, and settling outstanding invoices in order to temporarily stabilize cash flow. Although these actions keep the lights on, they don't fix the underlying technical issues, which include weak grid infrastructure, inefficient plants, high system losses, and outdated metering.
- **GPP-2 and the Risk of Stranded Assets in the 1,200 MW Plant.** There is no least-cost rationale for the construction of a 1,200 MW state-owned thermal plant and a second gas processing facility. Ghana's installed capacity is already in excess, and demand is growing slowly. Long-term foreign exchange risk could be increased and stranded assets could result from committing to long-lived thermal infrastructure. There is no clear financing structure, procurement, or tariff impact analysis included in the budget.
- **Gas-to-Power “75% Cost Reduction” is Overstated.** The Budget asserts that switching from light crude oil to domestic natural gas will reduce generation costs by at least 75% which is technically and economically overstated. Although gas is less expensive than liquid crude oil as source of fuel, take-or-pay commitments, processing fees, transportation costs, inefficient plants, and dollar-based invoices are all included in the total cost of generation. Additionally, a large number of Ghana's thermal plants operate below optimal efficiency, requiring more gas to generate the same amount of power.
- **Gains from Cash Waterfall Mechanism (CWM) is overemphasized as a reform.** The budget suggests an improvement in CWM monthly declarations from 950 GH¢950m to GH¢1.7bn. This however does not correspond to improved efficiency as CWM only redistributes revenue collected by ECG and NEDCo without considering their performance, hence revenue adequacy remains unsolved. Until there is higher bill recovery and drastic reduction of technical losses, the CWM will not solve debt owed IPPs. Independent audit of CWM is critical to ensure actual metered energy flow corresponds with CWM.
- **Ghana is still exposed to Long-Term Capacity Costs amidst IPP Renegotiations.** An aggregate of US\$250m is commendable. However, the long-term agreements with IPPs require Ghana to pay for power produced whether utilised or not. The renegotiations may earn Ghana some savings in the short-term. Also, contracts entered into with the IPPs are denominated in dollars while ECG's revenue is generated in Ghana cedis which has the potential to erode gains made.
- **Lack of Clarity on ECG Private Sector Participation (PSP).** Private Sector Participation (PSP) is portrayed as a significant reform for ECG. Yet, the budget does not include any technical or commercial KPIs, such as targeted loss reduction, feeder reliability, meter installation targets, or collection efficiency improvements. The PSP process runs the risk of becoming just another administrative exercise with little real-world application if these benchmarks are not met.

- **Underinvestment in Renewable Energy Infrastructure.** The budget dedicates significant investment into thermal assets. Meanwhile, there is underinvestment in renewable energy and smart infrastructure which could improve Ghana's energy mix.

Policy and Technical Recommendations

- Reform the CWM into a performance-based revenue allocation, rewarding utilities that reduce losses.
- Introduce a forex-hedging policy for gas contracts and IPP payments to reduce fiscal volatility.
- A detailed PSP Framework with standard KPIs should be considered before implementation of PSP of ECG.

ICEG believes that incorporating these recommendations into the implementation scheme will enhance efficiency and ensure value-for- money in these initiatives earmarked for 2026.

Signed:

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