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ACEP's Analysis of the 2026 Budget and Economic Policy of Ghana

Introduction

The 2026 Budget and Economic Policy, presented to Parliament on November 13, 2025, outlines the government's fiscal outlook and economic priorities for the coming year. While the budget affects all citizens, different stakeholder groups engage with it in distinct ways depending on their interests and mandates. For the Africa Centre for Energy Policy (ACEP), the budget serves as a key indicator of the government's direction in the energy and extractive sectors, and how these sectors are being positioned to drive equitable and sustainable development.

This report reviews the major policies and interventions announced in the 2026 budget, assesses their implications, identifies potential risks, and proposes actionable recommendations. The analysis focuses specifically on the oil and gas sector, mining, and the power sector.

Oil and Gas

Petroleum Performance:

Total petroleum production from January to September 2025 stood at 27.93 million barrels, compared to 32.9 million barrels over the same period in 2024. This represents a year-on-year decline of approximately 15% in production volumes. Correspondingly, total petroleum receipts for January to September 2025 amounted to US\$600.8 million, a significant drop of 35.7% from the US\$1.07 billion recorded in the same period last year.

If current production trends persist through December without significant increase in the Ghana Group's liftings, petroleum revenues could underperform by roughly 20.8%, based on a straight-line projection. The government attributes the decline in production to natural field depletion and delays in new investments. While field depletion is an expected stage in the lifecycle of oil fields, delays in new investments are largely the outcome of policy, regulatory, and fiscal decisions that either encourage or deter investor participation.

The National Petroleum Revitalisation Strategy (NPRS), although referenced in the budget, has yet to be published for public review. As a strategy intended to reverse the country's declining petroleum production, it must be grounded in lessons from past governance failures, including opaque licensing processes and poor oversight in the award of oil blocks. However, media reports on November 11, 2025, just two days before the budget presentation, indicated that the

government had signed a petroleum agreement with Tristar Upstream Oil and Gas for exploration and production in Block 1 of the Western Basin.

Beyond the mention of the company's name, publicly available information shows a questionable track record in upstream petroleum operations. This raises concerns about the level of parliamentary oversight and due diligence undertaken before the agreement was concluded. If this petroleum agreement reflects the approach proposed under the NPRS, the government risks repeating past mistakes, including the allocation of petroleum blocks to companies without the capacity or intention to make meaningful investments, ultimately contributing to stagnation in the sector.

If the government really wants to strengthen investor confidence, it will depend on how effectively policy bottlenecks are addressed, how competitive the fiscal regime becomes, and how swiftly ongoing field development plans are approved and executed. Without this, production decline will continue to weaken petroleum revenues, constrain the ABFA, and undermine the sustainability of the government's infrastructure financing plans.

Gas-to-Power Strategy:

Consistent with the Liquid Fuel-to-Gas Swap policy outlined in the 2025 Budget, the government has further expanded on its Gas-To-Power strategy in the 2026 Budget statement. It proposes to develop a 1,200MW thermal power plant to compete with the IPPs for power generation. The delivery of the project is anchored on the second train of the Gas Processing Plant (GPP2), expected to deliver 150 mmscf/d of processed gas with "firm supply commitments" from offshore producers. On paper, it looks like a strategic bid to leverage domestic gas, reduce exposure to expensive liquid fuels, and reclaim state influence in the generation market. After all, state-owned and operated power plants are not new in Ghana. The Volta River Authority (VRA) already manages a portfolio of about ten plants with a combined installed capacity of 2,547MW. The real question is not whether the state can run a power plant, it is whether the structural realities of Ghana's power sector allow such a plant to thrive.

For years, VRA's operations have been undermined by chronic liquidity and payment challenges across the energy value chain. Maintenance cycles have slipped, debt has accumulated, and operational efficiencies have suffered. Even with the introduction of the Cash Waterfall Mechanism (CWM), which seeks to streamline payments, the current arrangement prioritises standing payments to IPPs, leaving state-owned generators exposed to revenue shortfalls. We acknowledge that government has instituted some reforms, including the renegotiation of IPP contracts, and the planned private sector participation in distribution, to resolve the payment and debt challenges. But until such reforms take root, any new state-owned power plant risks the very fate VRA has battled for over a decade: being starved of cash when the sector's finances tighten, undermining the very competitiveness and financial viability of the proposed new plant.

The ABFA and the Big Push:

Dwindling production from Ghana's oil and gas sector continues to erode the economic benefits derived from oil and gas resources. However, the government's Big Push Programme is hinged

on utilising oil and gas revenue for infrastructure development. In the 2026 budget, the revenue projections for petroleum revenue clearly underperformed. Over the period of January to September 2025, petroleum receipts plummeted by 35.7% compared to the same period in 2024. This outturn also represented a 52.2% shortfall compared to the amount projected for the period. This clearly indicates that tying a source of funding for the Big Push to the underperforming petroleum revenue could be problematic and unsustainable.

While the government has the authority to allocate petroleum revenue, it does not have control over the market price and also the production outturns from the sector. The key risk is that the government may commit to long-term infrastructure contracts without guaranteed revenue to service them, exposing the country to project delays, borrowing pressures and deeper fiscal stress. Though the Ghana Stabilisation Fund (GSF) exists to smoothen out some of the inconsistencies with petroleum revenue inflows, the sheer size of the Big Push expenditure may deplete it. The government therefore must be mindful not to commit the state to infrastructure contracts beyond the capacities of the ABFA and the GSF. To mitigate this, the government should diversify financing sources for the Big Push, strengthen fiscal buffers to cushion price volatility, and accelerate policies that boost production from existing fields while attracting new investment into the sector.

Revisions to the Investment Policy of the Ghana Petroleum Funds:

The government is proposing a significant revision to the investment rules governing the Ghana Petroleum Funds (GPF) to permit the use of part of these savings to finance domestic energy infrastructure. The projects implicitly targeted include the proposed 1,200MW state-owned thermal power plant and potentially the second train of the Gas Processing Plant (GPP2). Presenting this proposal, the Minister for Finance lamented the current restrictions that require the GPF to be invested predominantly in low-yield foreign instruments. With the GPF having accumulated about US\$1.5 billion and generating an average return of just 1% annually over the past 14 years, the Minister argues that Ghana's oil wealth has not yielded sufficient financial returns.

This is not the first-time policymakers have attempted to tap the Ghana Petroleum Funds, particularly the Ghana Heritage Fund (GHF), for domestic spending. There have been previous proposals to use the Fund to support Free SHS and, more recently, to finance Covid-19 mitigation expenditure. However, this marks the first time the Funds are being considered as a source of commercial capital for large-scale infrastructure. The shift is profound. The GHF is designed as an intergenerational equity instrument to ensure that future generations benefit from today's finite petroleum resources. Any utilisation must therefore preserve the real value of the Fund and guarantee credible, risk-adjusted returns.

While the proposed 1,200MW power plant might appear commercially viable on the surface, the risks that surround it are far from negligible. As noted earlier, the structural liquidity issues in the power sector, the prioritisation of IPP payments under the Cash Waterfall Mechanism, and VRA's historical operational inefficiencies all pose material risks to return on generation. Beyond sector-specific risks, Ghana's public investment record introduces additional uncertainty: suboptimal

contracting, poor value-for-money outcomes, cost overruns, weak project supervision, and chronic delays. Moreover, the entrenched politicisation of state-owned enterprise (SOE) management heightens corruption concerns and exposes public capital to misallocation and inefficiency.

To his credit, the Minister for Finance acknowledges these pitfalls and has indicated that any domestic investment from the GPF will be governed by strict financial, operational, and ethical standards. Only projects with strong commercial viability, robust risk mitigation measures, and demonstrable development impact will qualify. The government also promises to establish a Value-for-Money Office to improve project delivery nationwide.

Yet these assurances, while welcome, are not enough on their own. Ghana has a long history of well-intentioned policies becoming conduits for rent extraction, political patronage, and the quiet privatisation of state benefits. Without strong oversight, clear legal safeguards, and a ring-fenced governance structure insulated from political interference, the proposal risks eroding an intergenerational savings tool in exchange for uncertain near-term gains.

Power Sector & Mining Sector

ECG Revenue Performance:

While ECG's performance under the Cash Waterfall Mechanism (CWM) has improved with average monthly declarations rising from about GH₵950 million in 2024 to GH₵1.7 billion by August 2025, this does not indicate an improvement in billing and collection efficiency. The increase in declarations must be contextualised within the revenue requirements and the increases in tariffs for the periods such increased declarations were recorded. From the last adjustment in 2024, tariffs have been adjusted upward by 14.75%, 2.45% and 1.14% in three subsequent quarters. Therefore, in a business-as-usual situation, the effect of these adjustments would have resulted in a significant increase in declarations to the CWM. The underlying challenges that led to the building up of debt in the power sector had to do with the amount of unaccounted-for energy sold to the state, resulting from inefficiencies in the distribution sector.

The main risk is that despite improved declarations, ECG's structural weaknesses will continue to drive debt accumulation and create pressure for future tariff increments. While it is commendable that the ECG's declarations to the CWM have increased, it is important that the government maintains focus on addressing the drivers of debt accumulation - distribution sector losses due to inefficiencies.

Small-Scale Mining Taxation:

Gold output from the Small-Scale Mining sector now accounts for more than half of Ghana's total gold production. Yet the fiscal benefits to the state, beyond foreign exchange, remain minimal. The removal of the 1.5% withholding tax on small-scale gold sales occurred at a time when global gold prices were exceptionally high, exceeding US\$4,100 per troy ounce. This policy shift has therefore further reduced the state's potential revenue from a sector already characterised by weak tax contribution.

The tax removal was intended to encourage small-scale miners to sell through formal channels and reduce smuggling. However, evaluating its impact requires accurate site-level production data, which is currently unavailable. Reliance on traded volumes as a proxy for production makes it impossible to determine whether the policy has increased compliance or simply facilitated revenue losses. To address this, government must establish stronger reporting systems that capture production at source. Additionally, the GoldBod should fast-track the rollout of traceability mechanisms to strengthen monitoring, improve transparency, and curb illicit gold flows.