

POLICY BRIEF

By Dr. Ransford Asamoah and Seth Owusu-Mante

A Call to President Mahama: Retain & Reset the Emissions Levy to fund Climate Action



President John Dramani Mahama lifts the staff of office during his swearing-in ceremony

Introduction

As President John Dramani Mahama and the National Democratic Congress (NDC) take the reins of government in Ghana on January 7, 2025, critical fiscal reforms are on the horizon. The new government has outlined plans to repeal several taxes within its first 90 days, including the Electronic Transaction Levy (E-Levy), the COVID-19 Levy, the 10% Levy on Bet Winnings, and the Emissions Levy, all of which were introduced by the erstwhile New Patriotic Party (NPP) administration.

The combined potential revenue losses from these repeals could be substantial. For instance, the IMANI Center for Policy Education projects that scrapping these taxes without a clear plan could result in a revenue shortfall of up to 3 percent of the government's total revenue. The government is also projected to lose an estimated GHS 6.37 billion in revenues from the E-Levy and COVID-19 Levy alone in 2025 (Timore-Boi, 2024). Some financial analysts are now warning that such a fiscal gap, if not addressed, could jeopardize the country's fiscal stability at a time when Ghana is navigating a delicate path toward economic recovery and growth.

Key Policy Insights

- President John Dramani Mahama and the NDC administration must reconsider the pledge to scrap the emissions levy. Retaining the levy and repurposing its revenues as a climate fund will create a dedicated domestic mechanism to support climate adaptation and mitigation projects to reduce Ghana's reliance on external funding for climate action.
- The climate fund can be utilized to support the NDC government in fulfilling its climate-related manifesto promises, including adaptation measures in agriculture, water management, health, forestry, infrastructure, green growth and jobs, and renewable energy.
- The effective implementation of the emissions levy would discourage pollution and emissions from industrial, commercial, and vehicular sources, address Ghana's air pollution challenges, and potentially reduce the estimated 28,000 annual premature deaths caused by air pollution in Ghana.
- The emissions levy enforces the 'polluter-pays principle,' ensuring firms and consumers account for the negative externalities of pollution in their production, consumption, and investment decisions. Aligned with the NDC's 24-Hour Economy Policy, the levy can drive existing firms toward environmentally responsible expansions while attracting investments from new firms committed to low-carbon operations and sustainability.
- To build public trust, the NDC government must address the levy's design flaws and implementation gaps. This includes undertaking nationwide consultations with key stakeholders, improving emissions verification mechanisms, enhancing transparency in revenue allocation, and integrating structured dispute resolution systems to ensure fairness and effectiveness.

While the repeal of the levies aims to alleviate financial burdens on citizens; an intent that likely contributed to President Mahama's decisive electoral victory, this policy brief argues that the emissions levy should be retained and strategically repurposed as a policy instrument for mobilizing domestic resources to fund climate action. Retaining the levy would enable the new administration to fulfill its manifesto commitments on climate action, green growth, and renewable energy development (see Appendix 1), while supporting sustainable economic growth and positioning Ghana as a regional leader in climate action.

Importantly, the effective implementation of the emissions levy can discourage pollution and emissions from industrial, commercial, and vehicular sources, address Ghana's air pollution challenges, and potentially reduce the estimated 28,000 annual premature deaths caused by air pollution in Ghana (WHO, 2020; CAF, 2022).

The Emissions Levy

The emissions levy was introduced in December 2023 through the enactment of the Emissions Levy Act, 2023 (Act 1112). The levy imposes charges on carbon dioxide equivalent (CO_{2e}) emissions from key economic activities, including the construction, manufacturing, mining, and energy sectors, as well as emissions from internal combustion engine (ICE) vehicles (see Tables 1 and 2).

The levy was adopted as part of Ghana's Environmental Fiscal Reform (EFR) under the country's [Medium-Term Revenue Strategy \(MTRS\) 2024-2027](#). With the introduction of this levy, Ghana became the third African country to implement a form of a carbon tax, following Mauritius and South Africa. As of 2024, 37 carbon tax programs have been implemented across the world (Center for Climate & Energy Solutions, 2024)

Table 1: Emissions Levy Rates for Specified Economic Sectors

Sector	Emissions	Rates
Construction	Co _{2e}	GHS100 (\$7.0) per tonne of emissions per month
Manufacturing	Co _{2e}	GHS100 (\$7.0) per tonne of emissions per month
Mining	Co _{2e}	GHS100 (\$7.0) per tonne of emissions per month
Energy (Oil and Gas)	Co _{2e}	GHS100 (\$7.0) per tonne of emissions per month
Energy (Electricity & Heating)	Co _{2e}	GHS100 (\$7.0) per tonne of emissions per month

Table 2: Emissions Levy Rates for Internal Combustion Engine (ICE) Vehicles

Vehicle Type	Emissions	Rates
Motorcycles & Tricycles	Combustion Emissions	GHS 75 (\$5) per annum
Motor Vehicles, Buses, and Coaches up to 3000 cc	Combustion Emissions	GHS 150 (\$10) per annum
Motor vehicles, buses, and coaches above 3000 cc	Combustion Emissions	GHS 300 (\$20) per annum
Cargo trucks and articulated trucks	Combustion Emissions	GHS 300 (\$20) per annum

USD 1.00 sells at GHS 14.7074 ([Bank of Ghana Daily Interbank FX Rates 7th January, 2025](#))

However, as IPPG has identified in our publication, “[From Policy to Practice: An In-depth Review of Ghana's Emissions Levy Act](#),” the success of the levy relies on transparent implementation, the strategic allocation of revenues toward climate action and public health initiatives, and the resolution of the levy's operational and policy design gaps to foster broader corporate and public support and compliance.

Revenue Allocation

Although limited information is available from the Ghana Revenue Authority (GRA) regarding revenue generated from the levy, all levy collections are mandated by the Act to be deposited into Ghana's consolidated fund. The consolidated fund is the central repository for all government revenues and monies raised or received on behalf of the state. As a result, revenue from the emissions levy is integrated into the broader national revenue stream and allocated toward public expenditures at the government's discretion.

The lack of a dedicated allocation mechanism for revenues generated through the levy represents a critical gap that hinders the relevance of the levy and the transparent use of its revenue. Without earmarking the funds for specific initiatives such as climate action, renewable energy development, or public health programs, the levy is perceived as just another general tax rather than a transformative tool for sustainable development. Perhaps, this may be one of the reasons the NDC administration is determined to abolish this levy.

Why The Emission Levy Matters

Revenues from the emissions levy could be channeled into a government-managed climate fund to ensure targeted investments in climate adaptation, mitigation, and resilience programs. Access to climate finance remains a major challenge for developing countries, hindered by gaps in international funding, delays in disbursements, and limited private sector investments.

Establishing this fund would provide Ghana with a dependable domestic financing mechanism that can reduce reliance on external support and enable proactive responses to current and future climate challenges. The fund could support several initiatives as discussed below.

- **Cross-Sectoral Climate Resilience Initiatives:** The climate fund could support policy initiatives for the NDC government to fulfill its manifesto promises by directly supporting cross-sectoral climate resilience initiatives. These initiatives could include targeted adaptation measures in agriculture, water management, forestry, and infrastructure as explicitly identified in the NDC manifesto as key to addressing the nation's climate vulnerabilities.

For instance, the fund can be used to implement advanced irrigation systems to combat drought, develop flood-resistant infrastructure, and promote climate-smart agricultural practices. Beyond this, the fund could support the mainstreaming of climate and environmental safety activities into health policies, as envisioned by the NDC, by funding public health initiatives aimed at mitigating climate-related diseases.

- **Scaling Renewable Energy:** The climate fund could also be utilized to drive the deployment of large-scale renewable energy projects, including solar and wind energy farms, waste-to-energy systems, and off-grid renewable solutions as targeted by the NDC manifesto. These investments would not only contribute to improving reliable access to electricity but also play a vital role in reducing emissions and supporting Ghana's transition to a cleaner and more sustainable energy mix. The fund could therefore be used as a risk mitigation mechanism to provide project guarantees, credit enhancement facilities, and further finance project feasibility studies,

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a crucial step in attracting private investors for clean energy investments.

- **Ghana's Electric Vehicle (EV) Transition:** Ghana, like many African nations, faces the risk of becoming a dumping ground for internal combustion engine (ICE) vehicles as the European Union (EU) plans to ban the sale of new gasoline and diesel cars by 2035 (AP News, 2024). This policy shift could lead to an influx of used ICE vehicles into African markets which will exacerbate environmental, air pollution, and public health challenges. Accordingly, [Ghana's National Electric Vehicle Policy](#) aims to achieve a 35% EV penetration rate by 2035 and a 70% penetration rate by 2045.

The emissions levy's climate fund can be strategically allocated to support the policy's objectives, such as developing EV infrastructure, providing incentives for EV adoption, investing in research, development, and demonstration (RD&D), and public awareness campaigns to meet the targets of the policy. This will potentially help Ghana to accelerate EV adoption while reducing its carbon footprint and air pollution from the transportation sector. It will also help safeguard the country from becoming a repository for outdated and polluting transportation technologies.

- **Incentivizing Green Practices among Companies and Individuals:** The fund could also be leveraged to encourage companies in targeted sectors, such as agriculture, manufacturing, and energy to adopt green practices and transition to environmentally sustainable operations. Incentives such as tax rebates, grants, or subsidies could be provided to businesses that invest in renewable energy, energy-efficient technologies, or sustainable production methods. For individuals, the fund could offer programs that promote the adoption of electric vehicles, solar panels, or energy-efficient appliances through financial

incentives or reduced upfront costs.

While these are some options for utilizing the revenues from the emissions levy, the NDC government must consult widely with stakeholders to determine the most impactful ways to allocate the funds. Such a strategic and inclusive use of funds will strengthen public trust and also demonstrate the administration's commitment to meaningful climate action.

Additionally, it is important to note that a carbon tax gives effect to the polluter-pays-principle and helps to ensure that firms and consumers take the negative adverse costs (externalities) of pollution and climate change into account in their future production, consumption and investment decisions. Given the NDC's goal of expanding the economy through the 24-Hour Economy Policy, the Emissions Levy can act as a catalyst to drive new and future investments by companies toward environmentally responsible practices and low-carbon operations.

Further Recommendations

The Emissions Levy Act is currently fraught with several policy design flaws and implementation challenges, as identified in our earlier publication “[From Policy to Practice: An In-depth Review of Ghana's Emissions Levy Act](#).”. In addition to our primary recommendation of retaining the emissions levy and repurposing it as a climate finance fund, the NDC administration could further consider the following recommendations:

- **Nationwide Consultation and Public Awareness Campaign:** In light of the NDC's earlier campaign promise of scrapping the levy, a nationwide consultation and public awareness campaign could be undertaken to explain the objectives of the emissions levy and its possible impacts on the growth of the country.

Engaging stakeholders, including businesses, community leaders, and the general public, will foster a widespread understanding of the levy's purpose in addressing climate

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challenges, disincentivizing pollution, and promoting sustainable development.

- **Accurate Measurement and Verification of Emissions:** The Emissions Levy Act, in its current form, allows for self-assessment by companies subject to the levy. This raises concerns about the accuracy and reliability of emissions to be reported by these companies. Without robust guidelines or a dedicated body to verify emissions, there is a risk of underreporting or overreporting, which could undermine the fairness and effectiveness of the levy. To address this, the government can establish a centralized verification mechanism supported by the necessary infrastructure and expertise. This mechanism would ensure that emissions are measured scientifically and consistently to ensure that the correct amount of levy is paid to foster trust in the system.

In [South Africa](#) for instance, emissions subject to the country's Carbon Tax are verified using an approved reporting methodology established by the Department of Environment, Forestry, and Fisheries (DEFF) or calculated based on prescribed formulas outlined in the country's Carbon Tax Act which was introduced in 2019 (South Africa Revenue Service, n.d.).

- **Enhancing Transparency in Implementation and Revenue Allocation:** To build public trust and ensure the effectiveness of the levy, the NDC administration should prioritize transparency in its implementation. This includes publishing detailed inventories of companies subject to the levy, their emission levels, and regular reports on revenues generated and their specific allocations. This will help build trust, address tax-payer concerns, and ensure broader buy-in, which will ultimately enhance compliance and support for the levy.

- **Integrating Dispute Resolution Mechanisms:** The Emissions Levy Act should be amended to incorporate structured dispute resolution mechanisms, such as arbitration to address grievances effectively. These mechanisms would provide a clear and accessible process for resolving conflicts, reducing reliance on the court system, and minimizing delays.

Conclusion

The emissions levy presents an opportunity for Ghana to strengthen its climate action framework while addressing the gaps in financing the country's sustainable development. Retaining and repurposing the levy as a dedicated climate fund aligns with the NDC's manifesto commitments to renewable energy, climate adaptation, and green growth. Through investing revenues into targeted initiatives such as renewable energy projects, electric vehicle infrastructure, and resilience-building in vulnerable sectors, the levy can serve as a transformative tool for addressing Ghana's environmental and development challenges.

While concerns about political feasibility and public acceptance exist, reframing the levy as a means to deliver tangible benefits including job creation, reduced pollution and emissions, and improved public health can garner broader support. Transparent implementation, nationwide consultations, and regular reporting will address public skepticism and build trust in the system. Additionally, integrating robust verification mechanisms and dispute resolution frameworks will ensure fairness and effectiveness, to foster compliance and stakeholder confidence.

As Ghana navigates a complex fiscal landscape, the emissions levy offers a path to balance economic recovery with climate action to position the country as a regional leader in sustainable development. IPPG remains committed to leveraging our expertise to provide the government with evidence-based insights, global best practices, and actionable strategies to ensure the effective operationalization of the recommendations outlined in this policy brief.

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For Citation

Asamoah, R., & Owusu-Mante, S. (2024). A Call to President Mahama: Repurpose the emissions levy for Ghana's green growth. International Perspective for Policy & Governance (IPPG).

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Appendix A

Climate Change, Green Growth, and Renewable Energy Promises: The National Democratic Congress (NDC) Manifesto

The National Democratic Congress (NDC) recognizes the critical threat that climate change poses to Ghana's development gains. The country's vulnerability to climate change is marked by unpredictable rainfall patterns, droughts, perennial flooding, disasters, and deteriorating health conditions. These challenges are exacerbated by the reliance on climate-sensitive sectors such as agriculture, forestry, and energy. Climate change also worsens environmental degradation, increases migration, and reduces food production, thereby threatening the country's food security.

To address these challenges, the incoming NDC government as stated in its 2024 elections manifesto intends to:

- **Climate Legislation:** Enact and pass a National Climate Change Law. (Page 80)
- **Cross-Sectoral Climate Action:** Implement a series of cross-sectoral climate initiatives including enhancing the climate resilience of sensitive economic sectors, including agriculture, water resources, forestry, energy, fisheries and aquaculture, infrastructure, and tourism through targeted adaptation and resilience measures and also will mainstream climate change and environmental safety activities into all health policies and implementation plans. (Page 80)
- **Youth Development:** Promote the development of social enterprises by young people to create solutions for national challenges such as sanitation, food security, and climate change. The NDC further hopes to empower communities, particularly the youth and women, to participate actively in climate protection and air quality initiatives to foster a culture of sustainability and resilience that will benefit current and future generations. (Page 80)

- **Agriculture and Trade:**

Acknowledging the challenges of low production, low productivity, food losses, limited markets, and poor access to credit which are compounded by low investment in agricultural modernization, illegal mining, and environmental degradation, the NDC intends to implement targeted measures to improve food security and combat climate change impacts. (Page 37)

To align national policies with international efforts to limit global warming to 1.5°C as aspired to by the Paris Agreement for which Ghana is a signatory; the NDC government promises to:

- **Renewable Energy:** Implement an energy transition strategy that will augment thermal and hydropower production with nuclear and other renewable energy sources like solar, wind, biogas, waste-to-energy, and other off-grid energy systems such as mini-hydropower production. The NDC further promises to optimize the flexibility and adaptability of Ghana's power system to integrate renewable sources effectively. (Page 80)
- **Energy Efficiency:** Facilitate the implementation of energy efficiency technologies and practices to reduce household electricity consumption, thereby reducing the energy budget of households which in turn reduces energy demand and carbon emissions from thermal plants. (Page 80)
- **UNFCCC Participation:** Enhance Ghana's participation in climate diplomacy to ensure that Ghana shapes global decisions in ways that reduce the impact of climate change on the peace, security, and prosperity of its people. (Page 80)
- **Enhancing Carbon Sinks:** Alleviating attempts by the NPP government to privatize forest reserves, the NDC promises to enhance carbon sinks through forest conservation. (Page 76)

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While these manifesto promises are commendable, they need to be translated into actionable policy strategies. The NDC must build on existing climate and energy transition commitments to develop a concrete policy implementation plan with measurable targets, adequate financing mechanisms, and accountability frameworks to ensure these

commitments materialize. Furthermore, it is unclear how the NDC intends to finance its manifesto promises on climate change. It is in this regard that we urge the incoming NDC administration to retain the emissions levy and repurpose its revenue to fund its climate and energy transition goals.