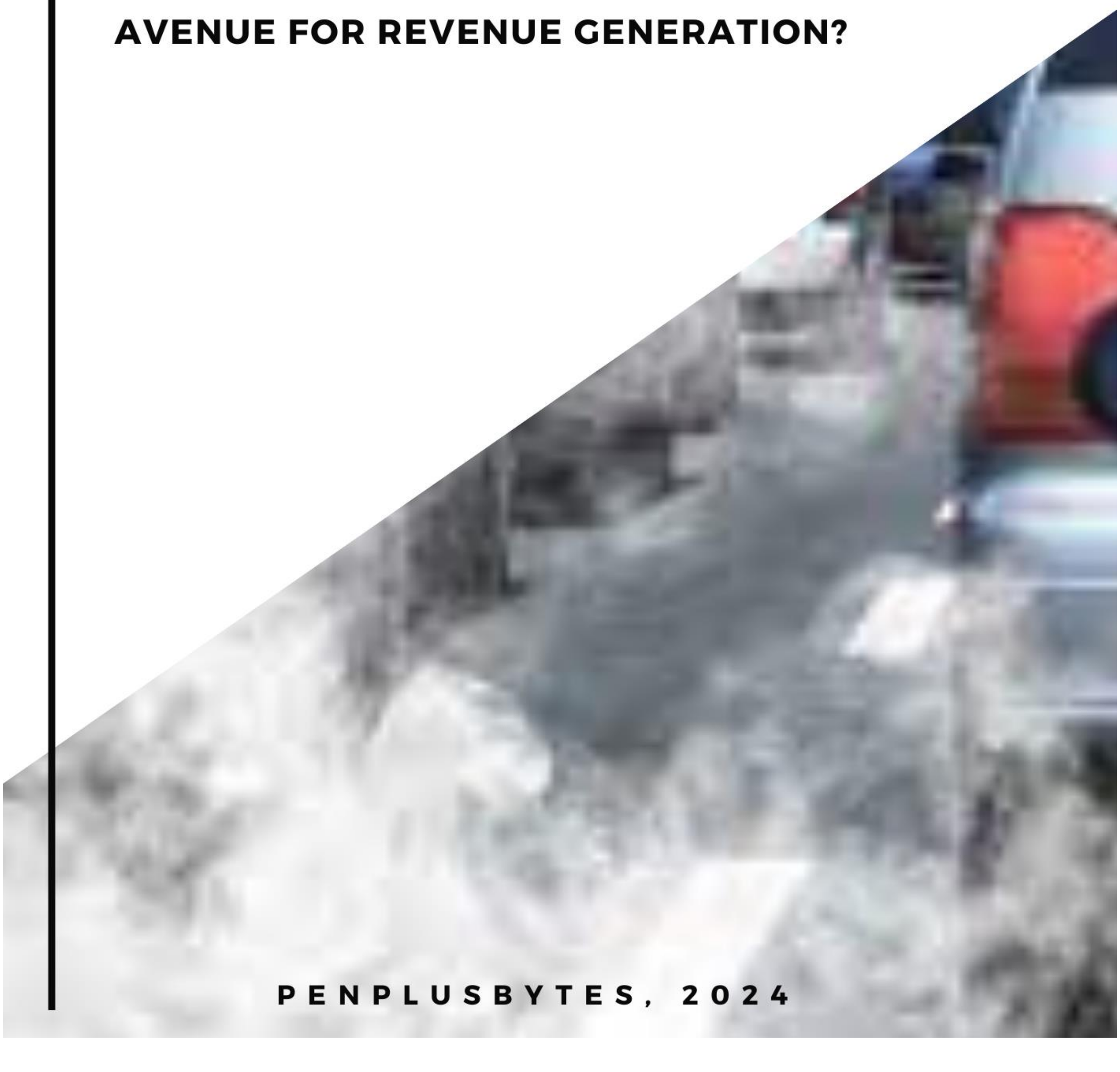
GHANA'S EMISSION LEVY:

A COMMITMENT TOWARDS REDUCING CARBON EMISSIONS OR ANOTHER AVENUE FOR REVENUE GENERATION?



PENPLUSBYTES, 2024

Introduction

Across the world, there is a growing gravitation of governments toward taxing carbon emissions as a means to compensate for the amount of greenhouse gas emissions produced and released to the earth atmosphere. Although this policy approach has been popular among developed countries like Canada, Sweden, UK and many others, developing countries are now beginning to chart a similar path. In Africa, Ghana is the latest and third country to introduce an explicit carbon tax, after South Africa and Mauritius.

Following the passage of the Emissions Levy Act, 2023 (Act 1112) into Law on February 1 2024, there has been a resounding public uproar and opposition to the emissions levy. Among the sections of the Ghanaian public who have expressed concerns against the new tax include the minority caucus in parliament, commercial transport operators, private vehicle owners, civil society organizations (CSOs), and the Trade Union Congress (TUC). A cross-section of the general public have also described the levy as unnecessary and insensitive.

This publication therefore probes the actual goal of the tax regulation and examines the germaneness of the public sentiments against the emissions levy.

A Brief Overview of the Emissions Levy

The emissions tax policy measure in Ghana was first announced on 15th November 2023 by the Minister of Finance in the presentation of the 2024 Government Budget Statement and Economic Policy. However, it can be traced to and appears to have been drawn from Ghana's Medium-Term Revenue Strategy (2024-2027) which was prepared by the Ministry of Finance and released in September 2023. According to the report of the Finance Committee of Parliament which was issued after its consideration of the draft bill, the purpose of the Emissions Levy is *"to control general levels of carbon dioxide emissions, promote the use of eco-friendly technologies and green energy, improve environmental management, and also raise some domestic revenue."* The table below shows the type of emissions, the sectors, and motor vehicles the levy applies to, and the rates payable.

No.	Type of Emissions	Sector/Motor Vehicle	Rates
1.	Carbon dioxide equivalent emissions from specific sectors	a) Construction sector b) Manufacturing sector c) Mining sector d) Oil and gas sector e) Electricity and heating sector	GH₵ 100 per ton of emissions per month
2.	Emissions from motor vehicles	Internal combustion engine vehicles: a) motorcycles and tricycles b) motor vehicles, buses, and coaches up to 3000 cc c) i. motor vehicles, buses, and coaches above 3000 cc ii. cargo trucks and articulated trucks	 GH₵ 75 per annum GH₵ 150 per annum GH₵ 300 per annum GH₵ 300 per annum

Source: Emissions Levy Act, 2023 (Act 1112)

Probing the Government's Motive and the Actual Goal of the Levy

The government's policy narrative is that the rationale behind the introduction of the Emissions Levy by government is to strengthen its global response to climate change by tackling greenhouse gas emissions and encouraging the use of clean energy in-country in accordance with the Paris Agreement and the United Nations Framework Convention on Climate Change. A critical perusal of the Emission Levy Act which gives legal backing to the tax, however, reveals that the environmental protection motive for introducing the tax has not been clearly stated. This stems from the fact that, there is no clear-cut provision in the law with respect to what revenue generated from the tax will be specifically used for. The law states that that *"the Commissioner-General (Ghana Revenue Authority) shall pay all amounts collected under this Act into the Consolidated Fund. The Revenue Administration Act, 2016 (Act 915) shall govern the administration of the Levy."* This ambiguity in the administration of revenue from the levy for climate change mitigation purposes is what calls the government's real intention behind the emission levy into serious question.

A major concern for many Ghanaians and other stakeholders is the lack of clarity on what the revenue generated from the tax will be used for. A critical review of the draft bill highlighted climate change response narrative. Interestingly, this is totally ignored in the law itself. One would ask, why would the government totally ignore specifying in the law itself the climate change mitigation purpose that the revenue from the levy will serve? Well, for many people, the manifest function or the actual motive of the government through this tax regulation is just to mobilize revenue for business as usual. This is discernible from the Finance Committee of Parliament's Report on the draft bill which noted a revenue projection of GH₵ 451,000,000 from the levy for the 2024 fiscal year to support government expenditure.

Examining Public Sentiments against the Levy

In addition to concerns about the government's actual intention behind the imposition of the emissions levy, different sentiments have been publicly expressed against the levy. One of these includes the insufficient consultation of stakeholders before the passage and implementation of the tax regulation. A leading practitioner in the extractive industry and former Chairman of the Public Interest and Accountability Committee, Dr. Steve Manteaw, has called the government out on this. *"An engagement with the oil and gas industry would have helped to design this particular tax in a way that takes into account efforts being made by industry and other people in mitigating their carbon footprints,"* he stated. This is indicative of how the design of the tax regulation was not inclusive and participatory enough.

Arguably, this has made it difficult for most citizens and stakeholders to appreciate what evidence the government has, which informed the imposition of the emissions levy. It is, indeed, not clear if Ghana's greenhouse gas emissions have reached a level where it makes sound policy sense to impose a levy targeted at emissions reduction. Although cognisance is taken of the fact that no small amount of greenhouse gas emissions is environmentally friendly to justify inaction, a comprehensive assessment of carbon footprints in Ghana with major stakeholders from different sectors sufficiently onboard would have diversified the policy debate and provided varied inputs to shape consensus on the necessity of the emissions levy at this point in time based on the available evidence. The absence of sufficient engagement and consultation is, therefore, a major setback that has led to concerns about how the carbon footprints of each of the targeted sectors and vehicles were arrived at and factored into the determination of the corresponding levies payable.

Another major sentiment has been that the imposition of the emissions levy with a sanitation and pollution levy on petroleum products still in force amounts to double taxation. Although the emissions levy seems to be targeted at deterring carbon-emitting operations, it is unlikely to achieve this objective because when it comes to the transport sector for instance, there is virtually no readily available substitutes for fossil fuel vehicles (that is electric vehicles) in the country. This implies that coupled with the sanitation and pollution levy which was introduced to raise revenue to improve air quality, the emissions levy is expected to have an increased toll on Ghanaians since affected businesses, especially transport operators and power producers would transfer the tax burden to customers through price hikes. With energy and transport costs noted to be major drivers of inflation in Ghana, this situation has the potential to worsen the prevailing economic hardship in the country. It is therefore germane to say that not only is the timing of the emissions levy wrong, but it is insensitive to Ghanaians. A backing to this sentiment is reflected in the words of energy policy analyst, Mr. Benjamin Boakye of the African Centre for Energy Policy who asserted that: *"If you now say that after taking all those taxes, the road fund tax and all of it, you still want to now find ways around the same transportation value chain to tax them, you are not just being sensitive to the same Ghanaian who is driving and has no option but to drive. You find ways to tax them at all cost that is not being sensitive."*

Conclusion

There is no gainsaying that the emissions levy has become a topical issue of public interest in Ghana. With no clear-cut legal provision to oblige the government to use revenues from the levy for climate change mitigation purposes, it is not far-fetched to argue that the emissions levy as imposed does not seem to be geared towards carbon reduction than revenue generation to support government annual budget for purposes that may not be environmentally related and beneficial. Also, the worrying and germane public concerns expressed against the levy are indicative of how the social legitimacy of the levy has been impaired, and the tag that seems to fit it best if it was a person would be *"persona non grata"*. A rethink of the emissions levy to take into consideration and address the gaps and concerns pointed out will therefore be the best and sound policy thing for the government to do.