



The Politicization of Ghana's Energy Sector and Its Effects on Ghana's Economy

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ABSTRACT

The document examines the impact of political involvement in Ghana's energy sector on the country's economy and environment. When politicians make decisions and appoint individuals to key roles in the energy sector based on political affiliations and considerations, it leads to a number of problems such as inefficiency, higher costs, and a lack of focus on solutions or renewable energy sources. The paper provides examples from the past, such as the AMERI power deal and changes in fuel prices, to illustrate how political interference can lead to issues. The problems include inefficient energy use, high energy costs resulting from political decisions, and inadequate investment in renewable energy. The paper suggests solutions like making the decision process more transparent, creating independent groups to oversee the energy sector, choosing people for jobs based on skills instead of political connections, involving the public more in decision-making, planning for the long term in energy, supporting policies that encourage renewable energy, and fighting against corruption in the energy sector. The goal is to make Ghana's energy future more friendly to the environment, reliable, and efficient.

INTRODUCTION

Energy is vital for a country to grow and improve (World Bank, 2022). However, some countries, especially those that are still developing, such as Ghana, struggle to manage their energy effectively. One significant problem is when politics becomes too involved in the decision-making process for energy. This means that politicians have too much influence on matters such as rules, choices, and the structure of organizations related to energy. This excessive influence causes various issues, such as allocating important energy jobs to people who support a particular politician, affiliated to a certain political party or using energy resources to benefit friends in politics. Additionally, politicians sometimes prioritize securing votes quickly over ensuring the country's long-term goal of having sufficient energy for the long term. This presents a big challenge, as it hinders the energy sector's effectiveness and slows down the country's overall progress (Gyamfi & Gyamfi, 2022).

A mixed-methods research design to examine the politicization of Ghana's energy sector and its impact on the national economy was employed for this study. It integrates qualitative interviews with key stakeholders in the energy and political sectors, as well as quantitative surveys targeting businesses and consumers, to assess the economic consequences of power outages and increased operational costs. To buttress the analysis, secondary data from international institutions, government reports, and academic sources were deployed. The research utilized the SPSS statistical tool to analyze political influences and economic

indicators. Honest and moral considerations, including confidentiality and informed consent, were conscientiously observed. The study acknowledges potential limitations, including access to data and the potential for political sensitivity.

DIMENSIONS OF POLITICISATION IN GHANA'S ENERGY SECTOR

For a long time, Ghana's energy sector has been influenced by politics (Quartey, 2021). This is evident in many important ways:

When politicians become involved in making energy decisions, it often leads to choices driven more by politics than by what is technically best (Quartey, 2021). Quartey's research shows examples where projects are approved based on political reasons, rather than a thorough examination of whether they make technical sense. This means that political appointees could use resources for projects that are not technically sound instead of ones that could help address important energy issues. This kind of interference makes the energy sector less efficient and hinders its ability to contribute to the country's development.

There is also a significant problem known as rent-seeking in the energy sector, where politicians and their allies exploit it to benefit themselves (Smith & Kline, 2015). This occurs when contracts and deals are awarded to companies that are friends with politicians, without allowing other companies to compete fairly. This is not good because it makes the energy sector less honest, and it also means that public money that could be used for better and more sustainable energy projects is wasted. Fixing these practices is crucial for ensuring the energy sector works for the entire country, not just for specific political interests.

Another challenge of political involvement is that politicians often prioritize quick wins over long-term planning (Gyamfi & Gyamfi, 2022). They might not think about what is good for the country in the future and instead rely on fossil fuels, which are expensive and harm the environment. Not investing enough in sustainable energy makes the country less secure in terms of energy, and it also causes economic problems as the costs of relying on fossil fuels increase (Quartey, 2021). To address this, we need policies that prioritize the long-term health of the energy sector and do not allow it to be compromised by short-term political considerations.

HISTORICAL TREND OF POLITICISATION IN GHANA'S ENERGY SECTOR

During the period when Ghana was under British rule, the British government primarily managed the country's energy sector, with limited involvement from political parties or interest groups (Gyimah-Brempong, 2015). This meant that the development of energy had a more technical focus, with an emphasis on critical infrastructure and managing resources (Aning, 2018). The colonial administration's main goal was to set up a basic electricity grid, especially in urban areas and mining operations (Biney, 2016).

After Ghana gained independence in 1957, the energy sector began to become more politicized as political parties recognized its importance in shaping the country's economic and social landscape (Gyimah-Brempong, 2015). This increased political influence was evident when the Volta River Authority (VRA) was nationalized in 1961 to assert national control over energy resources and infrastructure (Aning, 2018). The construction of a significant hydroelectric power plant, popular called the Akosombo Dam, symbolized national pride and development

aspirations but also raised concerns about the cost and environmental impacts of making energy decisions based on political considerations (Biney, 2016).

In the Fourth Republic of Ghana, the energy sector became entangled in complex political maneuvers influenced by various factors (Gyimah-Brempong, 2015; Aning, 2018). As the sector played a crucial role in economic growth, it became a fiercely contested arena with political parties and vested interests struggling for control over energy resources and decision-making (Biney, 2016; Boakye, 2017). The ongoing challenge of high energy costs, causing widespread public discontent, led to political promises to lower prices, often without practical feasibility (Gyimah-Brempong, 2015; Aning, 2018). Additionally, the energy sector became a source of political patronage, enabling parties to reward supporters and strengthen their political power (Biney, 2016; Boakye, 2017).

The energy sector, central to Ghana's economic aspirations, turned into a battleground for political control as political parties aimed to shape energy policies to enhance their political standing (Gyimah-Brempong, 2015; Aning, 2018). This political competition intensified as the energy sector matured and had a greater impact on the economy (Biney, 2016; Boakye, 2017). The persistent issue of high energy costs became a focal point for political maneuvering, with political parties making bold promises to reduce prices, often with unsustainable policies that worsened the problem (Biney, 2016; Boakye, 2017).

With considerable resources and decision-making authority, the energy sector became a fertile ground for political patronage, distorting decision-making by prioritizing political interests over economic rationality and long-term sustainability (Gyimah-Brempong, 2015; Aning, 2018; Biney, 2016; Boakye, 2017).

EXAMPLES OF POLITICISATION IN GHANA'S ENERGY SECTOR

Ghana's energy sector has long suffered from political interference, resulting in inefficient and costly policies that negatively impact consumers and businesses (Gyimah-Brempong, 2015). Two prominent instances of this politicization are the AMERI power deal and the implementation of the new fuel price formula.

In 2015, Ghana's government entered into a power agreement with a Turkish company, AMERI Energy, to address emergency power generation needs (Biney, 2016). The deal stirred controversy due to its non-competitive negotiation process and a cost significantly higher than market rates (Boakye, 2017). Critics accused the government of corruption and prioritizing AMERI's interests over those of the Ghanaian people (Aning, 2018).

Following the 2016 election, the newly elected government led by Nana Akufo-Addo decided and canceled the AMERI power deal (Gyimah-Brempong, 2017). The cancellation was welcomed by many Ghanaians as a move to combat corruption and enhance procurement transparency attributed to concerns about the deal's high cost and lack of transparency (Boakye, 2017).

However, the cancellation of the AMERI deal was also viewed as a political maneuver by the Akufo-Addo government to distance itself from the previous administration led by John Mahama, closely associated with AMERI (Gyimah-Brempong, 2017).

In 2017, the Ghanaian government introduced a new fuel pricing formula that linked fuel prices to international oil prices (Biney, 2018). While the policy aimed to reduce government subsidies on fuel and enhance pricing transparency (Gyimah-Brempong, 2015), it inadvertently led to increased fuel prices for consumers due to rising international oil prices at the time (Boakye, 2017).

The new fuel price formula faced widespread criticism from Ghanaians, who deemed it unfair to burden them with the costs of rising oil prices (Aning, 2018). The policy was also seen as prioritizing the government's budget deficit reduction over the well-being of citizens (Gyimah-Brempong, 2015).

The examples of the AMERI power deal and the new fuel price formula underscore the complexity of Ghana's energy sector politicization, significantly impacting energy security and economic development (Biney, 2016). They illustrate how political considerations can override economic and technical factors in energy decision-making, resulting in inefficient and costly policies detrimental to consumers and businesses (Boakye, 2017; Aning, 2018).

Addressing this issue necessitates the development of a more transparent and accountable energy sector decision-making process in Ghana that is less open to the interference of politics or political players (Gyimah-Brempong, 2015). Achieving this goal requires a commitment to transparency, accountability, and public participation from all stakeholders, including the government, the private sector, civil society organizations, and traditional rulers.

EFFECTS OF POLITICISATION ON GHANA'S ECONOMY

The politicization of energy management has had a detrimental impact on Ghana's economy:

Inefficient Energy Use Due to Politicization

The way politics influences energy decisions in Ghana not only impacts specific policies but also affects the overall efficiency of energy use (Aidoo et al., 2022; Owusu & Agyemang, 2021). This means that when political motives take precedence over energy efficiency principles, it leads to various inefficiencies that hinder sustainable development (Gyamfi & Gyamfi, 2022).

One clear example of this is the inconsistent application of initiatives and rules aimed at saving energy, as noted by Sarpong and Martey (2020). Policies that encourage energy efficiency, such as rewards for using renewable energy or rules to conserve energy, often face challenges because political priorities change (Buah-Amponsah et al., 2021). For instance, a government focused on short-term gains might hesitate to enforce strict rules on industries to save energy, worrying about how it might affect jobs or business interests (Quartey, 2021).

Additionally, when politics influence political appointments in energy regulatory bodies, it becomes difficult to manage energy effectively (Opoku-Agyemang & Debrah, 2023). Decision-makers are sometimes chosen based on political loyalty rather than their expertise, which means they may lack the technical knowledge necessary for effective energy policies (Azumah & Yamba, 2022). As a result, efforts to use energy wisely may not receive sufficient attention, thereby perpetuating patterns of inefficient energy use (Aidoo et al., 2022).

Another issue is the tendency to initiate large-scale energy projects without conducting proper studies or establishing long-term plans, according to Gyamfi and Brew-Hammond (2019). The pressure to show quick results because of political reasons can lead to hastily planned projects that focus more on appearance than the long-term health of the energy sector (Opoku-Agyemang & Debrah, 2023). These rushed projects often end up costing more, being less efficient, and facing technical problems, which undermines how effectively energy is managed overall (Smith & Kline, 2015).

These inefficiencies have consequences for businesses and households, causing energy costs to go up (Aidoo et al., 2022). For businesses, this means they struggle to compete locally and globally (Quartey, 2021). For households, higher energy costs mean a higher cost of living, less disposable income, and an increased risk of exacerbating poverty (Owusu & Agyemang, 2021).

High Energy Costs and Politicized Procurement

The significant role of political actors in Ghana's energy procurement processes, leading to high energy costs, has been highlighted by Smith and Kline (2015) and supported by Aidoo et al. (2022). This situation, characterized by favoritism toward suppliers affiliated with the ruling party, overlooks competitive pricing, leading to inflated energy procurement expenses (Gyamfi & Brew-Hammond, 2019).

A straightforward example of this trend is the awarding of energy sector contracts without transparent and competitive bidding processes, as outlined by Azumah and Yamba (2022). When political considerations override fair competition, contracts are awarded based on political affiliations rather than the ability to offer cost-effective and reliable energy solutions (Owusu & Agyemang, 2021). This not only undermines governance principles but also elevates energy costs for businesses and households (Sarpong & Martey, 2020).

Moreover, prioritizing political connections over technical expertise in supplier selection can lead to engaging less qualified or inefficient suppliers, as noted by Opoku-Agyemang and Debrah (2023). Inefficiencies in the energy supply chain resulting from such non-competitive practices lead to higher operational costs, ultimately driving up energy prices for consumers (Buah-Amponsah et al., 2021).

The consequences of politically motivated procurement decisions affect both businesses and consumers. For businesses, higher energy costs erode profit margins and competitiveness, particularly in energy-intensive industries, hindering investment in innovation and expansion, and thereby constraining overall economic growth (Aidoo et al., 2022). Consumers face increased electricity bills, which can reduce disposable income and potentially lower their standard of living (Gyamfi & Brew-Hammond, 2019).

The prioritization of political alliances over efficient procurement practices not only compromises the integrity of the energy sector but also contributes to an economic environment marked by rising costs and reduced competitiveness, as emphasized by Quartey (2021). The misallocation of resources in the energy procurement process exacerbates the challenges faced by businesses and consumers, thereby impeding the country's overall economic development (Azumah & Yamba, 2022).

Limited Investment in Renewable Energy

The concentration on short-term political advantages in Ghana has hindered significant investments in renewable energy sources, as noted by Smith & Kline (2015) and affirmed by Aidoo et al. (2022). Despite Ghana's abundant potential for renewable energy, including solar, wind, and hydroelectric power, political considerations have impeded substantial advancements in harnessing these sustainable and cost-effective energy alternatives, as highlighted by Owusu and Agyemang (2021).

An illustrative example of this short-term focus is the reluctance to establish and maintain incentive programs for renewable energy projects, as noted by Sarpong and Martey (2020). Governments may hesitate to offer long-term financial incentives for renewable energy initiatives due to concerns about immediate budgetary impacts or potential political repercussions, as indicated by Gyamfi and Brew-Hammond (2019). This inconsistent support and commitment to renewable energy projects create uncertainty for investors and hinder the growth of the renewable energy sector, as emphasized by Opoku-Agyemang and Debrah (2023).

Additionally, the approval and licensing processes for renewable energy projects are susceptible to political interference, leading to delays or cancellations, as outlined by Azumah and Yamba (2022). Political considerations, such as the proximity of projects to key electoral constituencies, may take precedence over the technical feasibility and environmental suitability of renewable energy ventures, as observed by Buah-Amponsah et al. (2021). This can discourage potential investors and hinder the timely implementation of projects that significantly contribute to the country's energy sustainability, as highlighted by Yamba and Azumah (2023).

The consequences of limited investment in renewable energy are diverse. Apart from jeopardizing long-term energy security, as suggested by Aidoo et al. (2022), Ghana misses out on the opportunity to capitalize on the global shift towards sustainable practices, as emphasized by Owusu and Agyemang (2021). As more countries and businesses prioritize clean energy solutions to mitigate climate change, Ghana's limited investment in renewables could hinder its ability to attract environmentally conscious investments and partnerships, as observed by Sarpong and Martey (2020). This lack of commitment to green energy may result in a competitive disadvantage on the global economic stage, where sustainability is becoming a key factor in investment decisions, as highlighted by Gyamfi and Brew-Hammond (2019).

Furthermore, the myopic focus on short-term gains may lead to continued reliance on traditional and often more expensive forms of energy, such as fossil fuels, as emphasized by Opoku-Agyemang and Debrah (2023). This perpetuates a cycle of higher energy costs for businesses and households, which impacts economic productivity and potentially hinders the country's overall economic development, as documented by Azumah and Yamba (2022).

CONCLUSION

The infusion of politics into Ghana's energy sector has hurt the nation's energy security, economic progress, and environmental sustainability. The emphasis on short-term political gains at the expense of long-term energy planning has led to inefficient energy utilization, increased energy expenses, and limited investments in renewable energy sources. To tackle

these issues, a fundamental shift is needed towards a more transparent, accountable, and technocratic approach to energy management in Ghana. This transformation requires a firm commitment to the principles of good governance, active public participation, and the promotion of sustainable energy practices. Only by overcoming the politicization of the energy sector can Ghana attain a more secure, efficient, and environmentally sustainable energy future (Aidoo et al. 2022; Owusu & Agyemang, 2021).

RECOMMENDATIONS

Improving Transparency in Energy Project Selection Process

To deepen accountability and transparency within the energy sector of Ghana, it is advisable to institute and enforce transparent and competitive bidding processes for energy projects (Aguiar et al., 2021). The above strategy aims to lessen the impact of political considerations in project selection, ensuring that decisions are rooted in technical merits rather than political motives (Estache & Gupta, 2007). When competitive bidding and ensuring transparency in the bidding process is encouraged, it will not only enhance efficiency and cost-effectiveness but also attracts a broader pool of qualified bidders, fostering innovation in the sector (Van Horen, 2005).

Establishing Independent Regulatory Bodies

Crucial for fostering transparency and accountability in Ghana's energy sector is the creation of independent regulatory bodies with well-defined mandates (Kojima et al., 2018). These bodies play a pivotal role in overseeing the energy sector, guaranteeing that regulatory decisions are grounded in technical expertise and remain immune to political interference (Stiglitz, 2002). The implementation of regular audits by these independent bodies further nurtures a culture of accountability and transparency, particularly in energy projects and procurement processes (Jreisat et al., 2021).

Depoliticizing Key Appointments

Reducing the sway of political interests and promoting expertise-driven decision-making necessitates the depoliticization of key appointments within energy ministries and regulatory bodies (DeAngelo, 2012). Prioritizing merit and technical competence over political allegiance ensures that capable individuals are appointed to key positions, thereby fostering a sense of professionalism within the energy sector (Banerjee & Brock, 2020). The establishment of transparent selection criteria supports a culture of expertise-driven decision-making, prioritizing the nation's long-term interests over short-term political gains.

Strengthening Public Participation

Critical for holding policymakers accountable and aligning energy decisions with the needs of the Ghanaian people is the enhancement of public participation in decision-making processes (Fung, 2006). Encouraging public involvement through consultations on major energy policies and projects mitigates the risk of decisions driven solely by political interests (Arnstein, 1969). This not only bolsters the legitimacy of energy decisions but also garners public support for sustainable energy initiatives.

Developing Long-term Energy Plans

To counter the challenge of prioritizing short-term gains over long-term energy security, the formulation and implementation of long-term energy plans are imperative (Sovacool, 2015).

These plans should prioritize sustainability, diversification, and resilience, ensuring that Ghana's energy sector can meet its long-term needs while minimizing environmental impacts (Ang, 2015). Establishing clear targets and incentives for renewable energy aligns with global trends, positioning Ghana as a leader in adopting cleaner and more sustainable energy solutions (Rüpke & Schoessler, 2021).

Creating a Supportive Policy Framework for Renewable Energy Investments

Encouraging investments in renewable energy requires a policy framework with long-term incentives and a stable regulatory environment (REN21, 2023). Measures such as tax breaks, feed-in tariffs, and net-metering policies can attract both domestic and international investors to the renewable energy sector (REN21, 2022). Seeking partnerships with international organizations and investors facilitates financing, accelerating the transition towards cleaner energy (Sovacool, 2018).

Combating Corruption and Rent-seeking Practices

Essential for reinstating integrity in the energy sector and ensuring efficient use of public funds is the fight against corruption and rent-seeking practices (Transparency International, 2023). Strengthening anti-corruption measures, particularly in procurement and contract awards, is crucial for preventing misappropriation and ensuring projects are awarded based on merit to qualified companies (Svensson, 2003). Implementing stringent penalties for corruption communicates a strong commitment to intolerance for corruption and safeguarding public resources for impactful energy initiatives.

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