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TEMPLARS ThoughtLab

Ghana's Green Finance Revolution: Aligning Investment with Climate and Sustainability Goals

Introduction

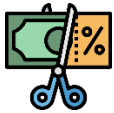
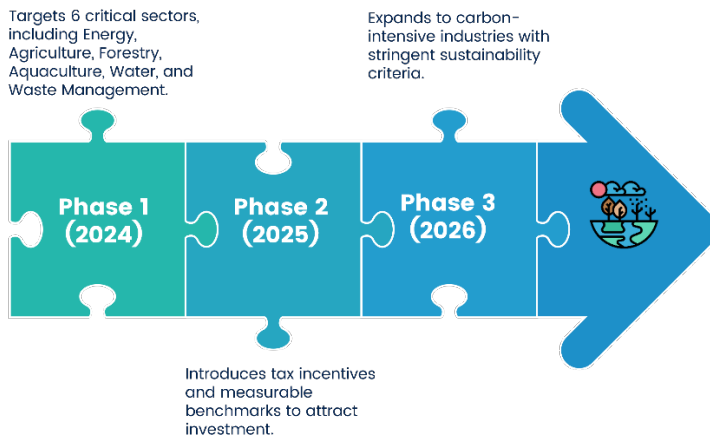
As the world pivots towards sustainability, nations are progressively aligning their financial systems with climate action objectives. In Ghana, a comprehensive framework is evolving to support green finance and sustainable investment. At the forefront of these efforts are the Ghana Green Finance Taxonomy, Green Bond Regulations, and the Ghana Carbon Registry. These initiatives aim to create a robust environment for green investment, attract foreign capital, and aid Ghana in fulfilling its climate commitments under the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

This article explores how these frameworks are shaping Ghana's sustainable financial ecosystem, examining the benefits they offer to businesses, investors, and other stakeholders.

Ghana Green Finance Taxonomy: Laying the Foundation for Sustainable Investment

The Ghana Green Finance Taxonomy (*GF Taxonomy*) represents a bold step in Ghana's journey towards a sustainable, low-carbon economy. Introduced by the Ministry of Finance, this tool provides a classification system that defines what constitutes a "green" economic activity, guiding investors and financial institutions towards projects with genuine environmental impact. By establishing transparency and predictability, the taxonomy offers businesses and investors a clear path to sustainable investment.

The GF Taxonomy's phased rollout highlights Ghana's commitment to a gradual, inclusive transition. The initial phase focuses on six critical sectors—Energy, Agriculture, Forestry, Aquaculture, Water and Waste Management, and Building, Construction, and Transportation—chosen for their capacity to reduce greenhouse gas emissions and strengthen climate resilience. For instance, renewable energy projects can reduce reliance on fossil fuels, while sustainable agriculture initiatives can enhance food security and lower emissions. The taxonomy's criteria help investors identify genuinely sustainable projects, mitigating the risk of “greenwashing” and ensuring transparency.



Green Finance Taxonomy

a classification tool and a roadmap for accessing green finance, especially in renewable energy, agriculture, and infrastructure sectors.

The next phase, anticipated for May 2025, will introduce quantitative benchmarks, tax exemptions, and sector-specific incentives to encourage green investment further. For example, sustainable aquaculture projects may receive tax relief for meeting sustainability criteria, while waste management infrastructure projects could gain financial incentives for using environmentally friendly materials. This phase aims to deepen the taxonomy's impact by creating measurable standards, making it easier for investors to align with Ghana's sustainability objectives.

By 2026, the taxonomy will expand to include traditionally carbon-intensive sectors, such as oil and gas, sustainable mining, and heavy industry. Rather than excluding these industries, the taxonomy will set rigorous sustainability criteria to guide them towards greener practices. For example, mining projects may need to demonstrate energy efficiency and waste management practices to qualify as green, while industrial facilities could adopt cleaner technologies to reduce emissions.

The GF Taxonomy is more than a classification tool; it serves as a roadmap for accessing green finance, especially in renewable energy, agriculture, and infrastructure sectors. For investors, it provides confidence by ensuring funds are channelled towards projects with concrete environmental benefits. For businesses, it offers a path to securing finance for green projects, supporting Ghana's broader climate goals. Beyond environmental considerations, the taxonomy incorporates social safeguards and human rights, ensuring that Ghana's green finance transformation is both sustainable and inclusive. This phased, adaptive approach not only minimises disruption but also fosters innovation, positioning Ghana as a leader in Africa's green finance landscape.



Funding the Path to Sustainability

Companies are required to carry out a rigorous evaluation and selection process for proposed projects, focusing on those that will have a meaningful, positive impact on the environment.

Green Bonds: Funding the Path to Sustainability

An essential financing tool within Ghana's green finance framework is the issuance of green bonds. To support this, the Securities and Exchange Commission (SEC) has introduced the Securities Industry (Green Bonds) Guidelines, 2024. These guidelines establish a regulatory framework for companies aiming to issue bonds that finance environmentally sustainable projects, enhancing transparency and fostering confidence among investors.

Under the Green Bond Guidelines, projects must satisfy specific eligibility criteria to be classified as green, ensuring that funds are directed towards initiatives with verifiable environmental benefits. This approach mitigates the risk of "greenwashing," making certain that investments genuinely contribute to sustainability. Companies are required to carry out a rigorous evaluation and selection process for proposed projects, focusing on those that will have a meaningful, positive impact on the environment.

Additionally, the guidelines mandate that all proceeds from green bonds be allocated exclusively to green projects. Strict reporting requirements are in place to track the usage of these funds, enhancing accountability and assuring investors that their capital supports legitimate environmental outcomes. In addition, companies must commit to ongoing monitoring and regular disclosure of project performance, providing updates on the tangible impact achieved.

Green bonds offer a valuable opportunity for businesses and project developers to access the expanding pool of Environmental, Social, and Governance (ESG) investors, who are increasingly prioritising sustainable investments. As global demand for green bonds continues to grow, Ghana's proactive regulatory framework strengthens its position as an attractive destination for green capital. By facilitating access to finance for environmentally focused projects, Ghana is advancing its green finance agenda, supporting projects that will drive long-term sustainable growth and development in the country.



Through this system, companies that undertake projects aimed at cutting emissions—such as renewable energy installations, afforestation, or waste management innovations—earn carbon credits.

Ghana Carbon Registry: Building a Robust Carbon Market for Climate Finance

The Ghana Carbon Registry, developed by the Environmental Protection Agency (EPA), is a cornerstone of the nation's green finance framework. As a registry for carbon credits, it facilitates the trading of credits, a crucial mechanism for reducing global greenhouse gas (GHG) emissions. Through this system, companies that undertake projects aimed at cutting emissions—such as renewable energy installations, afforestation, or waste management innovations—earn carbon credits. These credits can then be traded on domestic or international markets, creating a tangible financial incentive for businesses to engage in environmentally beneficial activities.

Aligned with Ghana's carbon market strategy under the Paris Agreement, the registry offers a transparent platform for tracking and verifying emissions reductions, issuing carbon credits, and enabling their trade. This transparency is essential, as it ensures that carbon credits represent real, measurable environmental benefits, thus fostering confidence among both investors and project developers.

The Ghana Carbon Registry also plays a critical role in attracting foreign direct investment for climate-focused projects. By providing an accountable and accessible platform for carbon credit trading, Ghana positions itself as an attractive destination for investors seeking impactful, sustainable ventures. This registry not only reinforces the country's carbon market strategy but also supports its journey towards a low-carbon economy, allowing businesses to align their financial goals with sustainable practices while contributing to Ghana's long-term climate objectives.



Synergy

With a robust mix of tax incentives, accessible financing options, and the potential for carbon credit trading, Ghana's green finance initiative is designed to accelerate the development of environmentally responsible projects.

Synergy of the GF Taxonomy, Green Bonds, and Carbon Markets

The GF Taxonomy, green bond regulations, and carbon market mechanisms are intricately aligned to create a comprehensive system that advances sustainable investment across Ghana. Together, they form a cohesive framework that channels capital into projects with genuine environmental impact. The GF Taxonomy sets clear standards for identifying and defining green projects, while the SEC's green bond guidelines ensure that investments are directed towards initiatives that support both climate action and sustainable development.

The Ghana Carbon Registry completes this system by providing a transparent platform for tracking emissions reductions from these projects. It enables businesses to earn and trade carbon credits, adding an extra layer of accountability and a financial incentive to commit to sustainability.

This integrated framework not only enhances clarity and reduces risk for investors but also offers attractive returns on sustainable projects. With a robust mix of tax incentives, accessible financing options, and the potential for carbon credit trading, the system is designed to accelerate the development of environmentally responsible projects. This synergy supports a trustworthy and resilient green finance ecosystem in Ghana, laying a strong foundation for long-term sustainable growth.

Conclusion

Ghana's green finance initiatives—the GF Taxonomy, SEC Green Bond Guidelines, and Ghana Carbon Registry—are setting the stage for a sustainable economic future. These frameworks offer clear guidance to investors, businesses, and project developers, helping to attract capital, reduce emissions, and promote sustainable development. As global climate action accelerates, Ghana's green finance ecosystem will be crucial for achieving its climate goals, driving innovation, and supporting sustainable economic growth.