Charcoal is the main source of energy for urban households and a key source of income for rural households in many developing countries. We used survey data from 400 households to demonstrate the economic importance of charcoal to rural livelihoods in a key charcoal producing area in Ghana. Income from charcoal is the second most important source of income after crops. Contrary to findings of previous studies, high income households obtain higher income from charcoal than low income households. We quantify charcoal’s role as a cash income provider and found it to be the highest source of cash income to rural households. We also demonstrate the important role of charcoal as income gap-filler and as safety-net for households that face economic shocks. Policy recommendations should focus on sustainable charcoal production rather than interventions that restrict charcoal production and have significant negative impact on rural livelihoods. Policy makers should also identify the poor in any pro-poor natural resource intervention to prevent elite capture by the rich.