

Briefing note

Unlocking the potential of Sierra Leone's carbon credit market: The hybrid approach

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Executive summary

- **Sierra Leone is well positioned to lead in carbon credit generation** due to its low emissions and diverse ecosystems, offering significant climate and economic opportunities
- **A hybrid carbon market model is recommended**, allowing the continuation of voluntary projects while building the regulatory frameworks needed for a future compliance market
- **Compliance markets offer higher long-term financial returns and international credibility**, but require strong governance, legal structures and capacity building
- **Immediate government action is needed** to establish a national carbon framework
- **Wide consultation with the private sector and local communities is essential** to ensure transparency, attract investment and protect community interests.

Sierra Leone is uniquely positioned to become a global leader in carbon credit generation thanks to its low emissions profile and rich geographic diversity. These natural advantages offer the potential to develop a wide range of high-integrity carbon credit projects across multiple sectors.

However, the country now faces a critical decision regarding the future structure of its carbon market. The right choice will be essential to unlocking the full value of carbon credits – financially, environmentally and socially. This policy brief outlines the available options and makes the case for adopting a **hybrid carbon market model** that combines the strengths of both voluntary and compliance markets.

Understanding the carbon market landscape

Carbon markets typically fall into three categories:

- **Voluntary carbon markets:** These are decentralised systems where private actors, companies or individuals voluntarily purchase carbon credits to offset their emissions. These markets operate independently of government regulation and are often driven by environmental responsibility or corporate sustainability goals
- **Compliance or regulated carbon markets:** These are legally mandated markets established under national or international frameworks (e.g. Article 6 of the Paris Agreement¹). Governments set binding emissions targets, and entities must acquire carbon credits to comply. These markets require strong regulatory oversight and robust institutional capacity
- **Hybrid markets:** Hybrid models allow both voluntary and compliance markets to operate concurrently. This enables early-stage voluntary projects to continue generating income, while gradually developing the regulatory infrastructure for a compliance market that can deliver higher financial and environmental returns.

Sierra Leone's current approach

At present, Sierra Leone operates within a voluntary carbon market. This has provided a flexible environment for early project development, job creation and immediate income for local communities. However, to maximise long-term impact, the government must now take steps towards a more structured system.

Invest Salone and the Association of Carbon Conservation and Reforestation (ACCR), a formal business membership organisation established to represent carbon credit project developers in Sierra Leone, recommend the adoption of a hybrid carbon market model. This approach balances the need to maintain momentum in the voluntary space while laying the groundwork for a robust, regulated compliance market that aligns with international standards and can access larger-scale finance.

¹ Article 6 of the Paris Agreement provides frameworks for international climate cooperation on the reduction and trading of emissions. It includes market-based approaches, such as the transfer of emission reduction credits between countries, and non-market approaches, which promote collaboration through knowledge sharing and technology transfer.

Table 1: Market comparison: Strengths and limitations

Market type	Advantages	Challenges
Voluntary carbon market	Already active in Sierra Leone Quick to launch and low-cost Generates immediate income	Market-dependent and volatile No regulatory oversight, risking low-quality credits Often led by external actors with limited local benefit
Compliance carbon market	Higher financial returns More secure and reputable Enables fulfilment of international obligations Produces higher-quality, community-focused credits	Requires significant investment in expertise and infrastructure Time-consuming to establish Regulatory frameworks can be complex
Hybrid carbon market	Combines immediate benefits with long-term growth Enables phased transition Offers broad participation and diversified revenue streams	Requires coordination and clear governance to manage dual systems effectively

Why the hybrid model is right for Sierra Leone

The hybrid model for the carbon market is right for Sierra Leone because it balances government oversight with private sector innovation, ensuring transparency, local benefit and global competitiveness. Specifically, it:

- Allows the continuation and expansion of voluntary market activities, maintaining current income streams and community engagement
- Supports the gradual development of a transparent and equitable compliance market, positioning Sierra Leone to access higher-value credits and more reputable buyers
- Encourages a wider range of stakeholders to participate in carbon reduction and offsetting activities
- Enhances national credibility and supports long-term alignment with international climate commitments.

Next steps: Building a strong hybrid carbon market

Building a strong hybrid carbon market is key to unlocking climate finance while ensuring national ownership and private sector engagement. Important next steps may include:

1. **Continue supporting and scaling the voluntary carbon market**, enabling ongoing project development and local economic benefits

2. **Establish a centralised coordinating body** to lead the design and implementation of credible, equitable and transparent carbon market policies and regulatory frameworks
3. **Develop an operational framework** aligned with international best practice to support participation in bilateral and multilateral trading under Article 6 of the Paris Agreement
4. **Create a national carbon registry** to formally track all carbon credit projects in Sierra Leone, increasing transparency, investor confidence and international credibility
5. **Invest in national capacity building**, working closely with international partners to strengthen technical expertise, institutional systems and policy coherence.

Conclusion

Sierra Leone has a unique opportunity to lead in Africa's emerging carbon economy. By adopting a hybrid market model and developing a robust national framework in collaboration with the private sector, the country can secure long-term climate, economic and social benefits, turning its natural assets into global leadership in green finance.

This briefing was prepared by Invest Salone in collaboration with the Association of Carbon Conservation and Reforestation (ACCR), a formal business membership organisation established in 2024 to represent carbon credit project developers in Sierra Leone. Its membership includes the country's most established project developers. The content is informed by two rapid situational analysis reports produced by Cadmus for Invest Salone:

- [Analysis of the Carbon Market Landscape in Sierra Leone](#)
- Risk Analysis of the Carbon Market Landscape in Sierra Leone (to be published in due course)

For further reading see:

Climate Focus. [VCM Primer: The Voluntary Carbon Market Explained.](#)