Briefing note

Unlocking the potential of Sierra Leone’s carbon credit market: Pitfalls to avoid

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Executive summary

- **Sierra Leone's carbon credit market offers significant opportunities** to generate jobs, attract investment and boost government revenue, but careful policy decisions are essential to realise these benefits in the long term
- **The pitfalls of overtaxing or rushed deals must be avoided**. Learning from Zimbabwe's overtaxation and Liberia's poorly structured agreements can help Sierra Leone set a balanced, sustainable approach that maximises benefits for both the government and local communities
- **Adoption of transparent, equitable policies** will protect community rights and attract credible, long-term investors by focusing on fair taxation and strategic, community-inclusive carbon projects.

The carbon credit market in Sierra Leone presents a major opportunity to drive inclusive green growth. It has the potential to create thousands of jobs for Sierra Leoneans, attract critical inward investment and generate long-term government revenue. Already, close to 2,000 jobs have been created across the six active carbon credit projects currently in the country.

However, realising these benefits, and more importantly sustaining them, requires careful policy choices. Poorly designed regulation, rushed deals or overtaxation could undermine the entire market before it reaches maturity.

The good news: Sierra Leone can learn from the mistakes of other countries. Other governments have taken bold steps to capitalise on carbon markets, but in doing so have made avoidable policy errors that limited the benefits for their economies, communities and investors.

Two major policy pitfalls stand out, both of which Sierra Leone can and must avoid.

Pitfall 1: Don’t kill the golden goose – avoid overtaxation too early

Lesson from Zimbabwe

Zimbabwe was once the 12th largest carbon credit producer globally. However, in May 2023, it introduced sweeping regulations, including a revenue-sharing model where the government claimed 50% of project revenues. Foreign investors were capped at 30% and local stakeholders received just 20%.

The result was a sharp loss of investor confidence, with many projects stalled or abandoned. There was no sustained increase in government revenue, and local communities missed out on livelihoods and development benefits. The government was later forced to reverse these measures, but not before reputational damage was done.

Implication for Sierra Leone

There are real financial gains to be made from carbon credits, but overly aggressive taxation can deter investment, delay project development and reduce long-term returns. The Government of Sierra Leone must balance fiscal policy with market growth by setting tax rates that are fair, predictable and globally competitive.

Pitfall 2: Don’t sell the family silver – avoid rushed, unbalanced deals

Lesson from Liberia

In 2023, Liberia signed a memorandum of understanding with Blue Carbon, a firm based in the United Arab Emirates, granting it rights to manage over 1 million hectares of forest, about 10% of Liberia’s land, for 30 years.

The deal faced widespread criticism over its:

- Lack of transparency
- Weak community consultation
- Land rights violations
- Unbalanced financial terms (e.g. 70% of proceeds tax-free for a decade).

The deal undermined Liberia’s global credibility in the carbon market and deterred higher-quality investors from seeking partnerships built on environmental integrity and equitable benefit-sharing.

Implication for Sierra Leone

The Government of Sierra Leone must ensure that all carbon credit agreements uphold transparency, respect land and community rights, and deliver tangible benefits for local populations. Short-term gains from poorly structured deals may come at the cost of long-term sovereignty and sustainability.

Conclusion: Avoiding mistakes, seizing the opportunity

Sierra Leone stands at a pivotal moment. With the right approach, the country can build a carbon market that delivers sustained revenue, jobs and climate benefits. But stakeholders will have to be proactive, learning from others' experiences and building a well-governed, inclusive and investment-friendly framework.

By avoiding common policy pitfalls, Sierra Leone can become a credible, leading player in the global carbon market, benefiting government, communities and private investors alike.

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.