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U.N. forecasts less than 1 bln Kyoto offsets by 2012

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By Michael Szabo

LONDON (Reuters) - A United Nations agency on Wednesday cut its forecast for pre-2012 Kyoto Protocol carbon offsets, estimating for the first time that less than 1 billion tonnes will come to market before the climate pact expires.

"Due to the medium issuance in March (11.4 million) and in April (9.9 million), our projection for the amount of (Certified Emissions Reductions) to be available by the end of 2012 decreased a little from 1,035 million to 992 million," the UNEP Risoe Center said on its website.

Under Kyoto, efforts to cut greenhouse gases can be outsourced to emerging countries through investment in clean energy projects that have been registered under the UN's Clean Development Mechanism (CDM) scheme.

Investors receive offsets in return, called Certified Emissions Reductions (CERs), which can be used toward emissions reduction goals or sold for profit.

CER supply forecasts are of particular interest to utilities and industrial firms in the European Union, as they can use CERs for compliance under the bloc's emissions trading scheme.

But the future of Kyoto and the CDM are unclear after 2012, the year the climate pact's first leg expires, due to the failure for rich and poor nations to agree a successor treaty.

UNEP Risoe's pre-2012 CER estimate has been dropping steadily, with the agency trimming 100 million CERs since the beginning of 2010.

The estimate is now around half the 1.952 billion predicted three years ago.

This ongoing supply cut has prompted the CER futures curve to become backwardated, with spot prices trading around 20 cents above the futures for delivery this December, and 75 cents above those for delivery in December 2012.

Spot CERs trading on BlueNext were down 18 cents or 1.3 percent at 13.85 euros a tonne on Wednesday afternoon.

Wholesale CER prices, as in the initial price paid to the project owner, were

around 10-11 euros per tonne late last week, according to analysts IDEACarbon.

Carbon market analysts said the pre-2012 CER estimate could drop even further if the CDM experiences more long bureaucratic delays in its project registration process, or if the scheme's executive panel announces more CDM auditor suspensions.

Four emissions auditors have been suspended in the past 18 months after the CDM's executive board spotted procedural breaches following checks at the companies' offices.

(Reporting by Michael Szabo; Editing by Keiron Henderson)

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