

8 February 2016

The Honorable Daniel R. Elliott III
Chairman, United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Ann D. Begeman
Vice Chairman, United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Deb Miller
Member, United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

CC: Keith Creel
Building 1
7550 Ogden Dale Rd, SE
Calgary, AB, T2C4X9

Dear Chairman Elliott and Surface Transportation Board Members,

I am writing you today, to express our support regarding Canadian Pacific Railway Limited's (CP) proposal to acquire Norfolk Southern Corporation (NS).

Diacarbon Energy ("Diacarbon") operates a wood pellet facility situated in Merritt, B.C (Canada) where we currently ship wood pellets to end markets in Asia, United States and Western Europe.

Diacarbon had started up a 48,000 tonne per annum Pellet facility in Oct, 2014 and in early winter 2016 intends to start up a first of its kind, 40,000 tonne per annum torrefaction facility in addition to expanding existing wood pellet production to up to 72,000 tonne per annum through the installation of a third pelletizer. Both facilities are co-located on one site in Merritt, B.C. and share material handling & preparation lines. In addition to Merritt, Diacarbon intends to develop a portfolio of torrefaction projects throughout the globe.

Diacarbon's Merritt project consists of two components, the Torrefaction Reactor ("TBR") and the Pellet Mill (PM). The TBR will enable energy-efficient upgrading of biomass into commodity solid biofuel, known as Biocoal, with superior environmental and economic attributes over fossil coal and other biomass alternatives. The PM will serve as a hedging mechanism against the developing biocoal market during the start-up, commissioning, and market development phase of Biocoal. Not only will Diacarbon benefit from economies of scale by having both the Pellet and the Biocoal operations at the same site, but these products will be working together towards the same goal of significantly reducing GHG emissions in Canada and other countries.

Diacarbon believes a CP-NS combination will create a transcontinental railroad with the scale and reach to deliver improved levels of service to us and enable us to better serve our own customers and communities, while improving safety and enhancing competition.


CP's proposal is a timely one that introduces a number of positive, future-focussed ideas to vastly improve North America's transportation network. We believe the proposal is in the public interest as it would improve overall service while creating meaningful competition amongst the Class 1s. Specifically, we believe the following points in CP's proposal are key:

- increasing capacity for all shippers without creating the need for more infrastructure
- creating efficient, reliable single-line service
- eliminating the "bottleneck approach" when quoting rates and instead quoting rates to which gateway the shipper requests
- offering unparalleled customer service and competitive rates
- allowing another railroad access to CP served shippers in terminal areas when service is not adequate and/or rates are non-competitive

For the above reasons, Diacarbon supports the proposed CP-NS combination. We urge the Surface Transportation Board to judge the proposal on its merits and we look forward to a positive outcome.

Please contact Darren Blanch, VP of Business Development (m: 604 375-9894 e: Darren@diacarbon.com) for more information.

Best Regards,



Darren Blanch
VP of Business Development