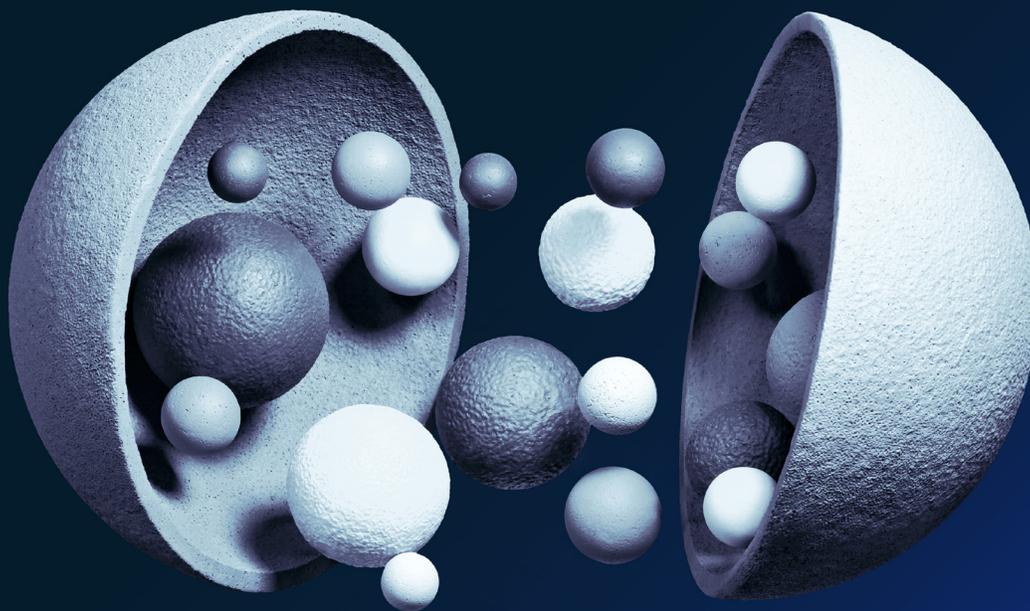


Risk Practice

COVID-19 and the great reset: Briefing note #38, January 13, 2021

The COVID-19 crisis wrenched energy demand from its growth trajectory and workers from their cubicles. What happens next?



For a time in 2020, we stopped driving, flying, commuting. And we stopped buying the fuel needed to do these things. Today, even as economies have restarted, fuel demand remains subdued. McKinsey's *Global Energy Perspective 2021*, an annual report, analyzes the ways in which the COVID-19 pandemic has permanently shifted energy-demand curves. Demand is likely to return to 2019 levels within one to four years, with electricity and gas rebounding fastest (Exhibit 1). But we do not foresee a return to the previous trajectory of growth in demand.

In the longer term, the energy transition—already underway before 2020—will accelerate. Power

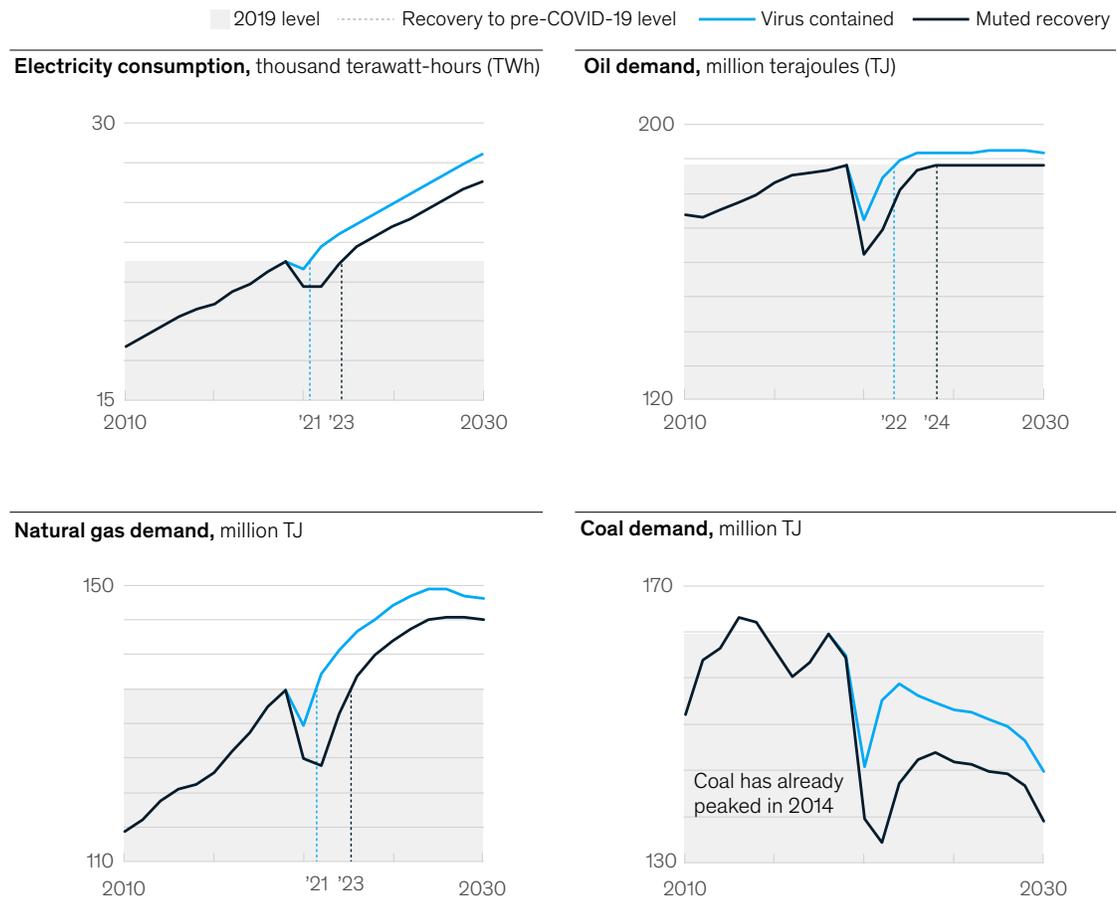
consumption doubles by 2050 as energy demand electrifies, wealth increases, and green hydrogen picks up momentum. Oil demand peaks in 2029; gas, in 2037. But fossil fuels continue to play a major role in the energy system in 2050. Our reference-case modeling helps you understand all the twists and turns.

With workforces now located in kitchens, basements, and attics, what will happen to all those sleek urban office towers and their glossy suburban counterparts? The answer has to start with their current tenants. Our latest survey of CXOs, which focused on the corporate center, finds that most companies are intensely debating the issues raised by COVID-19's work-from-

Exhibit 1

In the short term, a return to pre-COVID-19 levels will take 1–4 years, depending on the recovery that will unfold.

Electricity and gas recover more quickly than oil demand; coal does not recover



Source: McKinsey Energy Insights Global Energy Perspective 2021, December 2020

home experiment, and many companies are planning substantial shifts in the next three to nine months (Exhibit 2). In the short term, 70 percent of corporate-center executives plan to reconfigure office space, as do 54 percent of business-unit leaders. Over the midterm, 30 percent of corporate centers want to terminate existing leases early, compared with 14 percent of business units. Finally, as they look to the longer term, 55 percent of corporate centers plan to shift toward fewer and lower-cost locations. Business heads showed more willingness to stay put.

In a crisis, it's all hands on deck. Bank tellers are becoming financial advisors; fresh-faced managers are leading enormous projects; and companies are intently searching for people with the aptitude to become data analysts and mobile web designers. In this month's edition of the *McKinsey Quarterly Five Fifty*, we document the trend underpinning it all: reskilling.

Also this week, we researched the long-term effects of the pandemic on biopharma, explained the nine keys to becoming a future-ready company, and considered the long-run implications of 2020 on cybersecurity in Latin America.

Executives everywhere are thinking about the critical next months of the pandemic. Start with the McKinsey Download Hub to find McKinsey's latest research, perspectives, and insights on the management issues that matter most, from leading through the COVID-19 crisis to managing risk and digitizing operations. Also consider our special collection The Next Normal: The Recovery Will Be Digital. The first four installments—a 172-page report on technology and data transformation, a 130-page report on the path to true transformation, a 206-page report on reimagining the postpandemic organization, and a 157-page report on the challenge of climate change—are available now. The final installment is coming as part of Our New Future, a multimedia series we created with CNBC.

You can also see the full collection of our coronavirus-related content, visual insights from our "chart of the day," a curated collection of our first 100 articles relating to the coronavirus, our suite of tools to help leaders respond to the pandemic, and how our editors choose images that help readers visualize the impact of an invisible threat.

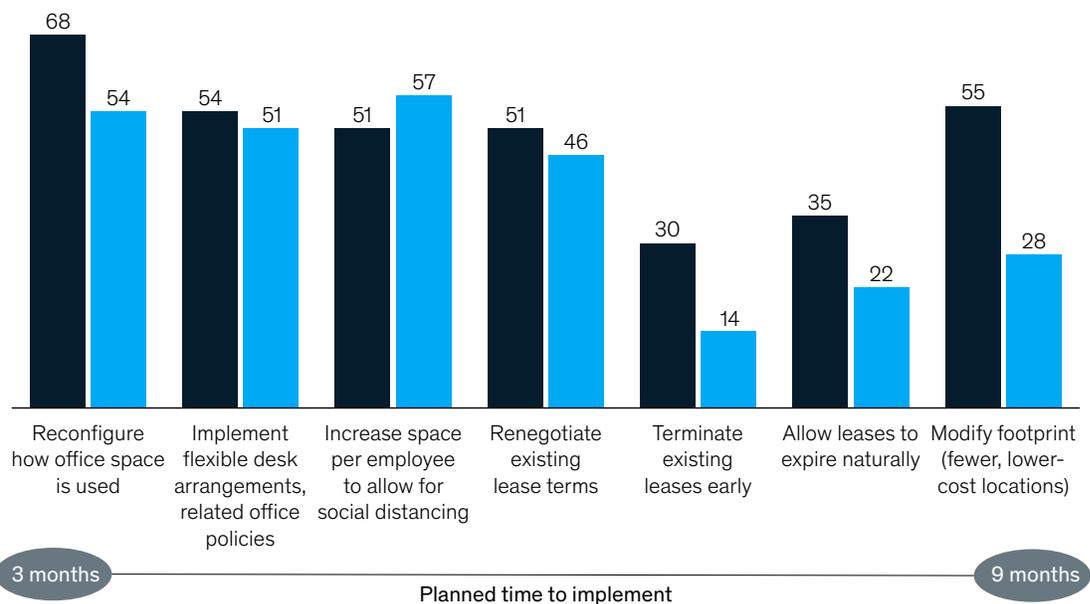
Exhibit 2

Corporate centers are planning a more radical optimization of office space.

Top steps to optimize office space

Respondents, %

■ Corporate centers
■ Business units



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